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Experience Rating in the Texas Unemployment
Compensation Program

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I

At least two factors have combined to make the present an appropriate time in which to survey the history and prospects of the method that has been used to finance the unemployment compensation program in Texas. In the first place we have had more than five years of experience with our present plan, and an examination of its effects is in order. In the second place we are faced with a marked change in economic conditions which will make this plan the subject of additional interest and controversy in the near future.

Most States, Texas included, have supported their unemployment compensation programs entirely by payroll taxes levied on the employers.¹ The use of such a technique was, in effect, mandatory under the terms of the Social Security Act passed by Congress in 1935. All but six of the States had, as of 1945, taken advantage of the provisions in that Act which allowed the use of rate variations among employers on the basis of their experience with un-

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¹Ten States used employee contributions in financing unemployment compensation in the early stages of the program. As of October, 1945, only four States required contributions from employees in partial support of their unemployment insurance.

employment.² Originally termed "merit rating," these methods of rate variation have now come to be known as "experience rating."

Students of unemployment insurance have long been at odds as to the value and effects of experience rating. Its advocates contended that a system of differential rates would encourage employers to regularize (or stabilize) employment and that it would permit allocation of the social costs of unemployment. The opponents of experience rating emphasized that the individual employer had only slight control over the factors which induced most unemployment; they expressed doubts concerning the worth of employment stability, even were it achieved; by pointing out the difficulty of attributing responsibility for unemployment to any individual employer and by questioning the adequacy of our knowledge as to the ultimate incidence of payroll taxes, they argued against the possibility of proper allocation of the social costs of unemployment. Differences of opinion appeared over the effects of rate variation on the solvency of the reserves. The advocates felt that fund solvency would not be endangered, but the opponents took a much less sanguine view of the prospects for solvency under experience rating.³

The debate was carried on, of course, at levels other than the academic. Spokesmen for labor groups were generally in opposition, because they feared that rate reduction might endanger the solvency of reserves and bring about a restriction of benefits.⁴ Employers, on the other hand, were attracted by the prospects of rate reduction which at least some of them might obtain under experience rating.⁵

²The six States which in 1945 still levied the uniform, standard rate of 2.7% were Alaska, Mississippi, Montana, Rhode Island, Utah, and Washington.

³Good summaries of the arguments for and against experience rating may be found, respectively, in Herman Feldman and Donald M. Smith, *The Case for Experience Rating*, and Richard A. Lester and Charles V. Kidd, *The Case Against Experience Rating*, both published by Industrial Relations Counselors, New York, 1939.

⁴*E. g.*, "Merit Rating Will Bankrupt Funds and Menace Benefits," in *American Federationist*, January, 1939.

⁵*E. g.*, *Report on the Subject of Experience Rating*, New York Unemployment Insurance State Advisory Council, New York, 1940, pp. 19-41, for the statement by employer representatives.

Within the broad limits set by the Social Security Act and the Federal Unemployment Tax Act, there has grown up a remarkable diversity of statutory standards and administrative practices in experience rating. As one writer has put it, "There is no assurance that, in identical circumstances, employers will be assigned the same unemployment compensation tax rate in any 2 of the 45 experience rating States."⁶ In the light of such complexities, the history of differential rates in Texas since 1941 cannot supply definite answers to all the arguments about the various types of rate variation that have been evolved. But the difference of opinion as well as the diversity of techniques still exists, calling for early examination of such evidence as is available in order that our judgment may be more informed.

In connection with the second factor referred to in the opening paragraph of this paper, it is most important to note that the use of experience rating, in Texas and most other States, has substantially coincided with World War II. As a result, the history of experience rating has been subjected to influences which could hardly have been foreseen a decade ago. These influences flow from the enormous expansion of employment and general economic activity in the period just prior to and during the war. The tax rates, the benefit payments, the size of the reserve funds, and all other features of our unemployment insurance have been, under such conditions, very different indeed from what our economic prospects were assumed to be ten years ago. The point, for our purposes, is that we are now entering a period in which employment fluctuations are likely to be of considerable magnitude, with consequent heavier burdens placed on unemployment compensation programs which have not as yet had a severe testing. The operations of experience rating and our attitudes toward it will condition the success with which our unemployment insurance program meets such tests.

⁶Rachel S. Gallagher, "State Differences in Unemployment Compensation Employer Taxes," *Social Security Bulletin*, Vol. 8, No. 10, October, 1945, p. 16.

II

The original version of the Texas law creating a system of unemployment insurance in the State contemplated the incorporation of tax rate variation under a "reserve ratio" plan.⁷ By 1941, when differential rates first became possible, the law had been amended to substitute a "benefit-wage-ratio" plan.⁸ While this method differs considerably from those employed in the majority of States, it shares with all but one a most important feature—the use of benefits or benefit-derivatives as a measure of the individual employer's experience with unemployment.⁹

The contribution system set up under the benefit-wage-ratio plan provided that eligible employers would receive one of eight different rates, varying at intervals of $\frac{1}{2}$ of 1% from a minimum of 0.5% to a maximum of 4.0% in accordance with their unemployment experience.¹⁰ A worker employed in industrial activity covered by the Unemployment Compensation Act would receive "wage credits," up to a quarterly maximum of \$400, for wages earned in this covered employment.¹¹ Then, if he became unemployed and qualified for the receipt of cash benefits, a "charge-back" would be made, upon the issuance of his first benefit check, against the accounts of all employers from whom he had earned wage credits in his "base period."¹² These charge-backs to the individual employers were thereupon termed "benefit-wages." At the time for the annual computation of experience rates, each

⁷Section 7 of the Texas Unemployment Compensation Act as passed by the Third Called Session of the 44th Legislature, effective October 27, 1936. Hereafter this Act will be referred to as the TUC Act.

⁸Section 7 of the TUC Act, as amended in 1939 by the 46th Legislature. Since Texas was the first of eight States to adopt this method it is often referred to as the "Texas Plan." It is also known as the "Cliffe Plan," after an early sponsor, then an assistant comptroller of the General Electric Company.

⁹The State of New York introduced in 1945 a method which related employer experience to payroll variations. Excellent brief descriptions of the various rating methods used by the States are presented in A. R. Arnold, "Experience Rating," *Yale Law Journal*, Vol. 55, No. 1, December, 1945, pp. 229-237.

¹⁰The term "contributions" is generally used instead of "taxes" in the unemployment compensation program to denote income received from levies on payrolls.

¹¹This quarterly maximum of \$400 was later changed to an annual maximum of \$1,620.

¹²A worker's "base period" is defined, in Texas, as the first 4 of the last 5 completed calendar quarters immediately preceding his benefit year.

"employer's experience factor" would be determined by relating the total amount of charge-backs to his account for the preceding three years to his total taxable payrolls for the same period. This percentage was known as the "benefit-wage-ratio."

Another calculation, designed to measure the duration of compensable unemployment for the State as a whole, was made before rates were assigned. The total amount of benefits paid in the preceding year was divided by the State total of benefit wages, and the percentage obtained called the "State experience factor."¹³ The statute included a table which combined various possible State experience factors with possible benefit-wage-ratios, so that the rate of the individual employer could be determined by inspection as falling within the limits set for the eight different rates provided in the law.

The method by which benefit payments are related to the individual employer presents as thorny a problem as unemployment compensation programs have faced. Various techniques of charging have been used — the most recent base-period employer, base-period employers in inverse order, the principal base-period employer, the most recent employer, the most recent employers in inverse order, or the employers in the eight weeks preceding compensable unemployment. Texas adopted the method most frequently used — charging all base-period employers proportionately. In cases where the worker who has qualified for benefits has had only one employer throughout the base period and up to the beginning of his benefit year, the effect of all methods would be the same.¹⁴ But to the extent that the number of employers during this time exceeds one, the questions surrounding the accuracy and equity of the charging process become more and more troublesome.

From an administrative standpoint, the Texas technique was simple enough. Upon the issuance of the worker's first benefit check, all base-period employers would be charged to the full extent of the benefit-wages which this worker had drawn from

¹³Some States which use the benefit-wage-ratio plan base the State experience factor on these figures for the preceding 3 years.

¹⁴"Benefit year," in Texas, refers to the period of 52 consecutive weeks beginning with the day on which the first valid claim for benefits is filed.

them during his base period. No additional charge-backs would have to be made in that worker's benefit year, whatever amount of benefits he might subsequently draw.¹⁵

In essentials, the Texas statute, with respect to experience rating, remains the same as it was in 1941, save for two rather significant changes. The 48th Legislature, in 1943, provided that the standard rate of 2.7% would be the maximum rate.¹⁶ The range in rates was thereby decreased from 3.5% to 2.2%. The other change was made by the 49th Legislature in 1945.¹⁷ No charge-back was to be made to an employer's account until the unemployed worker drew benefits in excess of his benefit amount for two weeks of total unemployment. Since Texas has a 14-day benefit period, this provision in effect meant that no employer would be charged until a claimant had been unemployed at least five weeks.¹⁸

There were several factors which combined to make the Texas plan attractive to certain groups. As has already been pointed out, it was relatively easy to administer, as there was no need to allocate each benefit payment to the account of one or more employers, which was necessary under some systems. There was an additional attraction in that the plan was designed as a "fund-replenishing" technique — only that amount would be raised in any year, it was claimed, which would replace the benefits paid out during the preceding year.¹⁹ The plan had the further appeal of appearing to offer a way in which substantial numbers of employers might receive reduced rates more easily and more quickly than would have been possible under other plans.

¹⁵Such a technique could lead to some curious results. A worker might, for example, voluntarily leave one employer for another, become unemployed fifteen months later, and draw benefits, which would then bring a charge-back to the first employer's account. The connection between the first employment and the current unemployment would seem, by almost any standard, to be quite tenuous. Employers have noted and commented on the effects of such circumstances.

¹⁶Section 7(c) of the TUC Act as amended by the 48th Legislature, 1943.

¹⁷Section 7(c) of the TUC Act as amended by the 49th Legislature, 1945.

¹⁸A waiting period of one week is required before the first compensable claim can be filed.

¹⁹Of the several assumptions on which this "fund-replenishment" feature was based, the principal one was that payrolls remained stationary from year to year.

III

The changes in the size of the Texas Unemployment Trust Fund are shown in Table I. The figures there presented show very clearly that the Fund has been in no danger of depletion since experience rating went into effect, for its size has increased steadily up to 1946.²⁰ The three-fold increase between 1940 and 1946 was not caused, of course, by experience rating but rather by the war-swollen payrolls of this period. The present size of the Fund is much in excess of what would reasonably have been predicted in 1939.²¹

TABLE I: The Texas Unemployment Trust Fund,^A 1940-46
(amounts in millions)

Year	Fund	Year	Fund
1940	\$ 54.8	1944	\$137.5
1941	65.9	1945	154.2
1942	83.4	1946	153.7
1943	110.6		

^AAmounts given as of December 31 each year, except for 1946, which is as of June 30. The increase shown each year does not coincide with the excess of contributions over benefits, because of interest credits, and because substantial portions of each year's contributions are not deposited in the Fund until a subsequent year.

SOURCE: *Annual Report*, Texas Unemployment Compensation Commission, 1945; Social Security Administration, Bureau of Employment Security—*Employment Security Activities*, August, 1946; *Social Security Yearbook*, 1941.

Some comparisons can be presented to show how the Texas Fund ranks alongside the Funds of other States. Table II presents the combined Trust Funds of all States and the Texas Trust Fund as percentages, respectively, of the national and Texas payrolls. On such a basis the size and the rate of growth of the Texas Fund are below the national average. The same conclusion was brought out in a Social Security Administration study comparing the

²⁰No provision designed to safeguard the solvency of the Unemployment Trust Fund was included in the TUC Act. Some States have provided that the tax rate structure would be changed when the reserve fund reached certain lower or upper limits; some have provisions under which benefits may be reduced or suspended because of fund conditions.

²¹The Texas Fund will be slightly larger at the end of 1946 than it was a year earlier, since benefit payments in the second half of 1946 have declined appreciably.

several State Funds as of June 30, 1946, by ability to meet claims that might be made against them.²² Such a ranking was made by comparing the percentage of employed covered workers who

TABLE II: Unemployment Trust Funds of All States and Texas, as Percentages of Taxable Payrolls of

All States and Texas, Respectively^A
1939-45

Year	All States	Texas	Year	All States	Texas
1939	5.7%	6.3%	1943	8.0%	6.2%
1940	6.1	6.6	1944	10.0	7.2
1941	6.5	6.5	1945	12.0	8.5
1942	6.8	5.9			

^AFunds as of the end of the year.

SOURCE: Social Security Administration, Bureau of Employment Security—*Employment Security Activities*, August, 1946, for data on All States; Texas data calculated from reports made to the Social Security Administration by the Texas Unemployment Compensation Commission.

could be paid all benefits payable under the State law. For the nation the percentage was 63.5; for Texas, 56.5. By applying a uniform benefit formula (somewhat more generous than Texas has), further calculations showed that Texas could pay from its Fund 27.9 per cent of its covered workers the maximum amount for which they would be eligible; for the nation, the percentage was 42.3. The Funds of only two States (Alabama and Michigan) ranked below the Texas Fund in this respect.

A survey of the Texas tax yields from 1936 to 1946 is presented in Table III. The contribution rate was 0.9% in 1936, 1.8% in 1937, and reached the so-called standard rate of 2.7% in 1938. The standard rate was applied to all covered employers in the State until 1941, when experience rating was introduced. A substantial drop in the yield occurred in 1941 because of the generally reduced rates, but the great increase in payrolls during the war years offset the continuing decline in rates. Contributions continued to increase in volume through 1943, and a substantial de-

²²Social Security Administration, Bureau of Employment Security—*Employment Security Activities*, August, 1946, pp. 40-41.

TABLE III: Annual Contributions, Texas Unemployment
1936-45(amounts in millions)
Compensation Program^A

Year	Contributions	Year	Contributions
1936	\$ 5.8 ^B	1941	\$15.7
1937	14.0 ^C	1942	19.9
1938	21.7 ^D	1943	25.9
1939	22.5	1944	25.1
1940	22.1	1945	18.3

^AIncludes penalties; also includes collections from interstate railroads to June 30, 1939.

^BRate of 0.9%.

^CRate of 1.8%.

^DStandard rate of 2.7% became effective.

Experience rating became effective.

SOURCE: Reports made by the Texas Unemployment Compensation Commission to the Social Security Administration.

crease did not appear until 1945. In order that the source of these yields may be better appreciated, the volume of taxable payrolls in Texas for the years 1939-45 is given in Table IV. The high mark of \$1,905 millions in 1944 was almost two and one-half times the 1939 total of \$821 millions.

TABLE IV: Texas Taxable Payrolls
1939-45

Year	Payrolls	Year	Payrolls
1939	\$ 821,662,669	1943	\$1,798,024,426
1940	832,574,629	1944	1,905,514,561
1941	1,021,574,790	1945	1,821,840,501
1942	1,403,497,642		

SOURCE: Reports to the Social Security Administration by the Texas Unemployment Compensation Commission.

Benefit payments, presented in Table V, did not begin in Texas until 1938, two years after collections had begun. The increased employment opportunities induced first by the defense program and later by war-time expansion are reflected in the large decrease in benefits in 1941, and in further declines through 1944. In this latter year, in fact, such payments were less than one-fourth the amount which accrued to the Fund in interest credits.²³ The increase in 1945 was heavily concentrated in the last quarter, after V-J Day. Although final figures are not yet available, payments up to December indicate that the total for 1946 will be near \$15 millions, about 40 per cent in excess of the previous high mark, in 1939. Such an increase in a year of comparatively full employment is an omen of the demands that may be levied on the Texas unemployment compensation system in a depression year.

²³Texas Unemployment Compensation Commission, *Annual Report*, 1945, pp. 8-9.

TABLE V: Annual Benefit Payments in the Texas
Unemployment Compensation Program^A
1938-46

(amounts in millions)

Year	Benefits	Year	Benefits
1938	\$ 9.3	1943	\$.7
1939	10.7	1944	.5
1940	9.9	1945	4.0
1941	5.7	1946	14.7 ^B
1942	4.1		

^ABenefit payments began two years later than collections. Amounts given include benefits to unemployed railroad workers to June 30, 1939.

^BEstimated.

SOURCE: Reports made by the Texas Unemployment Compensation Commission to the Social Security Administration.

Another phase of the financial aspects of experience rating in Texas can be explored—the change in tax rates since 1940. Table VI discloses the changes in rates for the average employer in Texas (including employers ineligible for experience rating) since differential rates went into effect. Such rates are also given for employers in all States combined, and for employers in those States where experience rating was in effect. The benefit-wage-ratio plan, combined with prevailing economic conditions, brought to Texas employers reductions in tax rates which came

TABLE VI: Average Employer Tax Rates
1941-45

Year	All States	Experience Rating States	Texas
1941	2.58%	2.17%	1.60%
1942	2.17	1.81	1.56
1943	2.04	1.77	1.42
1944	1.8	1.6	1.2
1945	1.6	1.5	.9

SOURCE: Social Security Administration, Bureau of Employment Security—*Employment Security Activities*, January, 1946, p. 49.

more rapidly and more substantially than to employers in other States.²⁴ Another approach which bears out the same conclusion appears in the data of Table VII, in which comparable figures are presented on the percentage reduction in revenue which came with experience rating. It is of interest that such figures permit calculations indicating that Texas employers, in the five years beginning in 1941, paid about \$115 millions less under experience rates than they would have paid under the standard, uniform rate.

²⁴Data available from the Social Security Administration indicated that the seven other States which use the benefit-wage-ratio plan have had substantially the same experience as Texas. Since these seven are included in the data given, except for Texas alone, the full extent of the degree and rapidity of tax reductions under the benefit-wage-ratio plan is not portrayed in these comparisons.

TABLE VII: Percentage Reduction in Revenue
Through Experience Rating
1941-45

Year	All States	Experience Rating States	Texas
1941	5%	20%	41%
1942	20	34	42
1943	25	35	47
1944	35	42	54
1945	41	43	67

SOURCE: Social Security Administration, Bureau of Employment Security—*Employment Security Activities*, January, 1946, p. 49.

In 1943, only six States had lower average employer contribution rates than Texas had, and four of these six also used the benefit-wage-ratio plan. In 1944, five States had lower average employer rates, and three of them used the benefit-wage-ratio plan. In 1945, four States had such rates lower than Texas, and three of them used this same rating technique.²⁵

Since employers who paid rates at or above the standard rate are included in the data presented in Tables VI and VII, evidence is needed as to the trends in the proportion of employer accounts having rates below the standard. Table VIII presents these percentages for Texas and for all States which were using experience rating. Again the import is clear that the Texas method has well served the purpose of bringing about rapid and substantial reductions in contribution rates laid on employers.

TABLE VIII: Percentage of Experience Rated
Accounts with Rates below 2.7%
1941-46

Year	All Experience Rating States	Texas	Year	All Experience Rating States	Texas
1941	54.9% (17 States)	80.7%	1944	84.5% (42 States)	97.8%
1942	67.4 (34 States)	87.0	1945	91.4 (45 States)	99.1
1943	74.7 (40 States)	94.1	1946	A	99.4

A Not available.

SOURCE: Social Security Administration, Bureau of Employment Security—*Employment Security Activities*, January, 1946, p. 49, except for 1946 data, which are taken from Texas Unemployment Compensation Commission reports to the Social Security Administration.

The extent to which rate reduction has proceeded can be forcefully shown in the number of Texas employers who have qualified, 1941-46, for the minimum rate of 0.5%. Table IX presents these

²⁵Social Security Administration, Bureau of Employment Security—*Employment Security Activities*, January, 1946, p. 49.

figures for each year of this period. In 1946 practically all of the eligible employers qualified for the lowest rate permitted under the law.²⁶

TABLE IX: Texas Experience Rated Accounts
Paying Minimum Rate (0.5%)
1941-46

Year	Eligible Accounts	Number at Minimum Rate	Percentage at Minimum Rate
1941	10,858	3,219	29.6
1942	12,010	4,349	36.2
1943	12,398	6,393	51.6
1944	12,825	9,962	78.0
1945	13,500	12,603	93.4
1946	14,374	14,108	98.0

SOURCE: Reports made by the Texas Unemployment Compensation Commission to the Social Security Administration.

IV

Information available on certain other phases of experience rating in Texas permits only the most tentative conclusions about the effects of differential rates. The period covered is of short duration and was dominated by the enormous industrial expansion of the war years. Certainly little judgment can be had from such a period as to the value of experience rating in stabilizing employment or in allocating the social costs of unemployment. A further caution in interpreting these data should be added: such "responsibility" for good or bad employment records as may be in evidence arises out of the financial liability incurred through the particular charging method used in the Texas version of the benefit-wage-ratio plan.

Table X presents the proportions of the experience rated accounts, classified by industry divisions, obtaining rates below the standard for the years 1941-46. For the first two years, at least, when the three-year experience period was primarily made up of the pre-war employment records, the capital goods industries show as the type least frequently qualifying for reduced rates.

²⁶Of the 266 employers who did not qualify, in 1946, for the minimum rate, 127 received the 1.0% rate; only 90 had to pay the highest rate, 2.7%.

TABLE X: Percentage of Texas Experience Rated Accounts
With Rates Less than 2.7%, by Industry Division
1941-46

	1941	1942	1943	1944	1945	1946
Mining	61.3	70.9	82.9	93.2	97.2	99.2
Construction	43.7	62.2	84.5	96.4	97.8	98.0
Manufacturing	76.3	83.3	92.6	98.0	99.6	99.6
Transportation, Communication, & Utilities	74.6	81.6	89.9	95.9	98.5	99.4
Wholesale & Retail Trade	90.5	94.6	98.0	99.1	99.5	99.7
Finance, Insurance, & Real Estate	93.2	95.4	97.6	98.0	98.7	98.4
Service	88.2	92.2	96.8	98.2	99.4	99.6

SOURCE: Annual reports on experience rating made by the Texas Unemployment Compensation Commission to the Social Security Administration.

As employment expanded to unprecedented heights, such industries moved rapidly toward the almost total elimination of compensable unemployment, and so did the consumer goods industries. It is obvious, of course, that increased charge-backs and higher rates will fall first, when unemployment increases, on the capital goods industries.

Table XI presents data on the experience rated accounts which, between 1941 and 1946, qualified for reduced rates, classified by amount of average payroll over the three-year period required for the setting of the benefit-wage-ratios. The conclusion tentatively indicated by these data is that the firms with the larger payrolls qualified for reduced rates somewhat more rapidly than did those with the smaller payrolls.

TABLE XI: Percentage of Texas Experience Rated Accounts Having
Rates Less than 2.7%, by Average Annual Payroll^A
1941-46

	1941	1942	1943	1944	1945	1946
Total	80.7	87.0	94.1	97.8	99.1	99.4
Not classified	33.7	50.3	59.6	61.3	79.8	83.3
Below \$5,000	75.8	78.6	88.4	94.9	97.5	99.3
\$5,000-\$9,999	77.5	85.3	94.0	98.3	99.4	99.9
\$10,000-\$19,999	83.1	89.4	95.8	99.1	99.8	99.9
\$20,000-\$49,999	85.1	90.6	95.8	99.1	99.8	99.9
\$50,000-\$99,999	84.8	89.6	95.6	99.3	99.9	100.0
\$100,000-\$999,999	84.2	92.1	97.1	99.5	99.9	100.0
\$1,000,000 and over	93.8	98.6	98.8	99.1	100.0	100.0

^AThe number of accounts not classified each year, and the total number of experience rated account: 353 out of 10,858 in 1941; 446 out of 12,010 in 1942; 359 out of 12,398 in 1943; 310 out of 12,825 in 1944; 376 out of 13,500 in 1945; and 484 out of 14,374 in 1946.

SOURCE: Annual reports on experience rating made by the Texas Unemployment Compensation Commission to the Social Security Administration.

It can be concluded that it was the economic environment of the war years, rather than the efforts of individual employers, which brought lower rates to practically every firm in every industry. Such circumstances have served to condition employers to look on experience rating as a device to obtain lower tax rates without their being required to stabilize employment or to do much else to earn those reductions.

V

Under the benefit-wage-ratio type of experience rating Texas employers have been stimulated to center their attention on means of reducing the volume of *compensable* unemployment. Each quarterly report of charge-backs sent out by the Texas agency reminds employers that their rates depend on the volume of these charge-backs. It also tends to make employers believe that they, rather than the State, make the payments to such unemployed workers as may qualify for unemployment compensation. It is not surprising, then, that employers react to protect what they consider to be their equities in the reserve funds by actions which minimize the volume of compensable claims.²⁷

Such protection may be gained in several ways. It is to the immediate interest of employers that they have personnel policies which are likely to throw the least burden of charge-backs on their unemployment compensation accounts.²⁸ It is further to their interest to contest any and all claims which appear to offer a prospect of disqualification. And there is always the possibility of limiting the volume of valid claims through legislative amendment or a revision of administrative policy.

²⁷Such conditions will prevail under any experience rating system which measures employment experience by benefits or benefit derivatives.

²⁸See Charles A. Myers, "Experience Rating in Unemployment Compensation," *American Economic Review*, Vol. 35, June, 1945, p. 349, for comments on such personnel policies.

Circumstances such as these have given impetus to increasing the severity of the disqualification penalties provided in the law.²⁹ The original Texas act provided, for example, that a claimant should be disqualified for benefits if he left work "voluntarily without good cause."³⁰ The penalty was a postponement of benefit rights for a maximum of four weeks. The 46th Legislature, in 1939, increased the penalty for such disqualification to cancellation of benefit rights (within any benefit year) to a maximum of sixteen weeks.³¹ The 48th Legislature, in 1943, broadened the conditions under which this disqualification might be applied by making it effective if the worker left work "without good cause connected with his employment."³² Substantially increased penalties have also been levied on workers who commit other disqualifying acts, all of which have the effect of reducing the likelihood of any charge-back to the employer.³³

It is safe to predict that as benefit payments increase and tax rates rise, Texas employers will be stimulated to take further interest in unemployment compensation benefits and the terms under which they are granted. The law and its administrators will be subject to increasing pressure from employers as the

²⁹The relationship of experience rating to disqualification provisions is discussed in Ewan Clague and Ruth Reticker, "Trends in Disqualification from Benefits under State Unemployment Compensation Laws," *Social Security Bulletin*, Vol. 7, No. 1, January, 1944, pp. 21-23.

³⁰Section 5(a) of the original TUC Act as passed by the 44th Legislature, October, 1936.

³¹Sections 5(a) and 5(f) of the TUC Act as amended by the 46th Legislature, 1939. The maximum duration of benefits for any claimant in Texas was then sixteen weeks; since 1945, it has been eighteen weeks.

³²Section 5(a) of the TUC Act as amended by the 48th Legislature, 1943.

³³The maximum penalty for discharge for misconduct was originally a ten-weeks postponement of benefits; it is now a sixteen-weeks cancellation. The maximum penalty for refusal of suitable work, originally a six-weeks postponement, is now an eight-weeks cancellation.

program meets sterner tests in the fluctuations of employment that are coming with peace-time conditions.³⁴

The Bureau of Employment Security of the Social Security Administration has recognized that present experience rating techniques are likely to complicate the administration of the entire unemployment insurance program. It has never favored experience rating as such, and only recently has it come around to the recommendation of a particular type in order to "avoid the unfortunate results of this close relation between benefits and rates in other experience rating systems."³⁵ The basic feature of this Bureau-recommended plan, much like that recently adopted in New York, is that each employer's experience with unemployment would be measured by payroll variations, and not at all by benefit payments.

On the other hand, the Director of Economic Research of the United States Chamber of Commerce has presented, in an article defending experience rating, a justification of such a condition as the Bureau of Employment Security fears:

With one group in society (employees) receiving all the benefits, and another group (employers, in all but four states) paying the tax contributions, experience rating is highly essential to encourage a proper balance in establishing benefit levels and benefit formulas, to stimulate an employer interest in the administration of the program, and in general to act in a policing capacity to prevent the program from developing into a relief program.³⁶

This statement implies a most restricted view of the public purpose to be served by unemployment insurance and indicates that under the current methods of experience rating employers can be expected to exert the utmost pressure to contest claims and resist efforts to expand the present scope of this phase of the social security program.

³⁴Some employers are already urging that they be notified in time to protest payments of benefits to any worker for whom they were base-period employers. Such a change would lay a heavy administrative burden on the agency. It would also require a revision of the law to become effective, as the penalties for voluntary quit and discharge for misconduct can at present be levied only if they are connected with the worker's last employment.

³⁵Social Security Administration, Bureau of Employment Security—*Unemployment Insurance Legislative Policy, 1947*, a supplement to *Employment Security Memorandum No. 13*, pp. 86-93.

³⁶Emerson P. Schmidt, "Experience Rating and Unemployment Compensation," *Yale Law Journal*, Vol. 55, No. 1, December, 1945, p. 242.

VI

A major fact to be remembered as any judgment is passed upon unemployment compensation as conditioned by experience rating is that the system has operated thus far in a most favorable and unusual economic environment. In Texas, as elsewhere, the demands upon unemployment insurance have been far below what could reasonably have been anticipated a decade ago. Tax collections have been high, even with the sharply reduced rates permitted under experience rating, few workers have had to resort to unemployment compensation, and the reserve funds have expanded enormously. There has been scant possibility, under such circumstances, of testing the extent to which differential rates might induce employers to stabilize employment, nor can any accurate estimate be made of the extent to which these schemes have made possible some precise allocation of the costs of unemployment during these rare times of a seller's market in labor.³⁷

Given such favorable economic circumstances during the early days of experience rating, the result has inevitably been to make experience rating appear simply as a device for reducing tax rates. In that respect it has been markedly successful. But a scheme under which ninety-eight per cent of all eligible employers have achieved the minimum rate insures a maximum number of protestants when tax rates turn in the opposite direction. The efforts employers can be counted on to make to retain favorable tax rates are likely to confuse any attempts made to improve unemployment compensation as additional stresses show the need for changes in our program.

Beyond this probability, other effects may be foreseen. The short history of experience rating shows what can be done to renew the interstate competition which the Social Security Act was designed to avoid. This competition, here presented entirely from the side of rate structures, can go and has gone on from

³⁷The present range of 2.2% between minimum and maximum rates in the Texas law offers relatively small inducement to employers to undertake a program of employment stabilization, especially in view of the possibilities of keeping rates low by minimizing *compensable* unemployment. Nor has anyone contended that such a narrow range could encompass the social costs of unemployment on the scale at which we have frequently met it.

there to be reflected in benefits, disqualifications, and all other phases of unemployment insurance. Such a possibility was, of course, foreseen, and some of the early sponsors of experience rating urged the setting of minimum national standards to prevent differential rates from becoming the new vehicle for interstate competition.³⁸ The employers of other States would certainly like to share tax reductions equal to those obtained by Texas employers.

In common with other methods of experience rating, the Texas plan is so set up that contribution rates will rise just at the time when economic conditions are deteriorating and employers feel least able to bear the heavier tax liabilities. Up to now, again, the rate trend has been steadily downward, and few complaints have been heard, but these reductions have occurred in a period when the taxpayers have had the most ample resources out of which to make the payments.³⁹ Experience rating has thus far worked and will continue to work its influence under the current techniques in a manner exactly contrary to that which students of public finance agree to be most desirable for minimizing the cyclical fluctuations of employment which have plagued our economy.

Experience rating in Texas is not to be condemned because it has brought a rapid and widespread reduction in employer tax rates. We can understand that, having obtained these low rates, employers will strive mightily to keep them. This practice cannot be objected to, granted the framework of our present experience rating systems. Each employer will endeavor to avoid having attributed to him any of the "fault" for causing unemployment. As Lester and Kidd have said, "the impossibility of allocating the responsibility for unemployment to specific employers . . . is the fundamental objection to all experience rating."⁴⁰ It might be as easy to single out the persons who brought on the influenza epidemic of 1918 as to localize responsibility for this major affliction of our modern economy.

³⁸Herman Feldman and Donald M. Smith, *op. cit.*, pp. 59-60.

³⁹An extended discussion of the incidence of social security taxes is presented in Seymour E. Harris, *The Economics of Social Security*, New York, 1941, pp. 283-441.

⁴⁰Richard A. Lester and Charles V. Kidd, *op. cit.*, p. 7.

It should not be inferred that the proper policy for financing unemployment insurance is the taxing of all employers at the present standard rate. This rate might well be changed, even lowered, or some entirely different source of support for unemployment compensation might need to be devised.⁴¹ The possibilities are numerous, meriting separate and special examination. Our experience with the program does not yet offer adequate basis for assurance that any of its techniques will prove to be satisfactory in times of large-scale unemployment.

No one, certainly, was completely satisfied with either the form or the substance of the unemployment insurance program created by the Social Security Act. It was generally recognized that the system was imperfect and would require substantial revision as experience revealed flaws in this new social instrument. It cannot be maintained that the small use to which we have put this instrument is proof that we built a better one than we suspected. The testing time may be quite near at hand. Far from having created a perfect instrument, we are not yet fully agreed as to the basic purpose it was designed to serve.⁴² Nor can we be sure that we have chosen well as to the Federal-State relationships, the type and rate of taxes, the extent to which we should accumulate reserves for benefit payments, the extent of employer-employee coverage, the benefit formulas, and the host of other problems which unemployment insurance systems must attempt to meet and solve.⁴³

⁴¹Until the present Federal Unemployment Tax Act is amended, its provisions insure that the States will continue to rely on payroll taxes on employers, at the present standard rate as modified by experience rating, to be the primary support of their unemployment insurance programs.

⁴²"There never has been agreement as to the purpose of unemployment compensation or its basic principles," says E. E. Witte, in "Development of Unemployment Compensation," *Yale Law Journal*, Vol. 55, No. 1, December, 1945, p. 21. Dr. Witte was Executive Director of the Committee on Economic Security, which made most of the preparations out of which grew the Social Security Act of 1935.

⁴³For a discussion of some of these questions, see *Issues in Social Security*, prepared by the House Ways and Means Committee's Social Security Technical Staff, established pursuant to H. Res. 204, 79th Congress, 1st Session, Part III, Chapter IV and V.

The first six years of experience rating in Texas show that it has served little purpose beyond that of tax reduction.⁴⁴ Experience rating is, in its way, a type of incentive taxation, but the present arrangement offers inducements which the individual employer will most likely deem attainable by methods which will not necessarily further, but may even thwart, the achievement of the goals which have been held up as the economic and social justifications for systems of differential rates. As long as we have high employment these weaknesses will be obscured. But unless we assume that we can and will eliminate large-scale unemployment from our economy, it appears most probable that our present experience rating system, combined with employer expectations conditioned by the circumstances of its early history, will bring conflict and confusion to our unemployment compensation program. It is not unduly pessimistic to fear that the scale of such discord might be great enough to undermine the public acceptance which this social technique must have in order to operate effectively.

⁴⁴The fact that Texas now has a reserve fund that appears to be quite ample for any immediate demands has already served as a basis for suggestions that the minimum tax rate be reduced to zero.

Industrial Facilities of the Southwest

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The United States is a mature nation. We have passed beyond the economic stage of raw material production into a stage of manufacturing. In 1860, about 70 per cent of our exports consisted of crude materials and foodstuffs, while in 1937 only about 26 per cent were in the raw form. However, the effects of industrialization have not been felt uniformly throughout the nation. During the years preceding World War II the Southwest had only 3.3 per cent of the industrial workers and 16 per cent of the agriculturalists of the nation, an unbalanced state of affairs.

Regional specialization, rather than economic balance, has developed in the United States. The South and West have furnished the food and agricultural raw materials to the North and East, receiving from those sections in turn a variety of manufactured products. This has paid good dividends. On the other hand, the difference in standards of living in different areas cannot be ignored. A study of rural regions by A. R. Mangus, Division of Research, Works Progress Administration, shows that the plane of living of the farmer in the South is less than half as high as that of the average of all farmers of the country, while that of farmers in the corn belt and industrial Great Lakes regions is 75 per cent above the average, and that of farmers in New England two to three times the average. Manufacturing is of course not entirely responsible for this difference. But local manufacturing provides markets for more and varied farm products, resulting in more farm labor income, and local industry affords a variety of jobs for a growing population, broadening the base of income.

The Southwest does not have an equitable share of the manufacturing of the United States today. The states in this region — Arkansas, Louisiana, Oklahoma and Texas — comprise 14 per cent of the area and have 9 per cent of the population of the United States, but in 1939 they had only 5 per cent of the manufacturing establishments and employed only 3.3 per cent of the industrial

workers of the country. Moreover, in spite of an abundant share of agricultural, forest and mineral raw materials, the Southwest apparently does not process raw materials for its own needs, producing only about 4.5 per cent of the total manufactured goods of the country. Having 9 per cent of the population, this would supply only about half what would be needed, and the remainder would have to be imported. Why, then, has industry lagged in the Southwest? The following pages suggest some of the reasons.

A manufacturing industry may be likened to a stool with seven supporting legs, the legs consisting of those factors or influences which determine the success or failure of the venture. If one or more of the legs is short, that is, not favorable, the industry cannot succeed in a competitive society. Some of the factors are natural in origin, others are man made and are thus subject to modification. The entrepreneur must consider all of them in planning an enterprise, inasmuch as he is motivated by expected profits. The seven factors are as follows:

1. The situation with reference to raw materials.
2. Supply of labor as well as its quality and cost.
3. Adequacy, cost and availability of power.
4. Availability of industrial capital.
5. Character and accessibility of market, including transportation facilities and freight rates.
6. Supply of technically trained managers.
7. Influence of monopoly control or restrictions.

Any attempt to understand the present status of manufacturing in the Southwest, as well as future possibilities, involves a knowledge of the situation with reference to each of the seven controls. Each will be considered, those that are favorable being grouped under the general heading "Facilities for Manufacturing" while the unfavorable factors will be classed as "Limitations."

FACILITIES FOR MANUFACTURING

The Southwest produces agricultural raw materials abundantly. In 1939 this section produced \$1,345,629,685 worth of crops, dairy products, livestock and livestock products, which was 14 per cent of the value of all products of agriculture in the United States. Since the area has only 9 per cent of the population of the country, it appears that agricultural surpluses are great. This is borne out by the figures in the Statistical Abstract for the United States,

which show that in 1940 the Southwest produced 11 per cent of the nation's wheat, 50 per cent of the cotton, 16 per cent of all cattle and 22 per cent of the wool. Yet the bulk of the agricultural products were not in consumable form when they left the region. A large proportion was manufactured elsewhere and returned to the Southwest. The 1940 Census of Manufacturing shows that the Southwest produced only 2 per cent of all cotton goods, had only 2 woolen textile mills out of a total of 782 in the country, and manufactured only 6 per cent of the mill feed and 1 per cent of the nation's flour.

The Southwest is richly endowed with minerals having economic value. Many of these may be classed as basic industrial raw materials, such as coal, iron ore, lead and zinc. Others fall into the class of strategic minerals, such as bauxite, sulphur and magnesium. Petroleum holds first place among them, the four states producing 57 per cent of the United States output in 1943. In the refining of petroleum many by-products were made available, some of which were for direct and immediate consumption, while others served as raw materials for other industries. In 1940 Arkansas supplied 97 per cent of U. S. bauxite production, Oklahoma 5 per cent of the lead and 24 per cent of the zinc, and Texas and Louisiana 99 per cent of the sulphur produced in the country.

The question of the economics of an iron and steel industry in the Southwest appears to be debatable. Many alert citizens believe that it is practicable, others feel that low quality of available iron ore and high transportation costs for coal are too great handicaps at present. The fact remains that there is iron ore in the region which may in the future serve as a basis for the industry. There appears to be adequate coal for industrial development, although in 1940 the area produced less than 1 per cent of the United States total. While much of it is of low grade, that along the flanks of the Ouachita mountains is of high quality, approaching anthracite. The states have Fuller's earth, gypsum, limestone, magnesite, manganese, salt and other earth materials which are also of value in industry. There is no dearth in the area of minerals which could become the basis of industrial development.

Nature has endowed the Southwest richly with forests. The eastern states of the group were originally covered with relatively heavy stands, and eastern Texas and Oklahoma also had much native timber. Both hard and soft woods were present. The importance of these is shown by the fact that before lumbering expanded in the Pacific Northwest, the South, including the eastern part of the Southwest, was the foremost lumber producing section of the United States. Even in 1940 the Southwest produced 14 per cent of the nation's lumber, more than its proportionate share in relation to the population. Yet the area has only 7 per cent of the country's planing mills, produced only 8 per cent of the veneer of the U. S., and has only one plywood factory. With much of its lumber production leaving the area in raw form, there is manifestly no lack of forest raw materials in Arkansas, Louisiana, Oklahoma and Texas.

Labor supply, as well as raw materials, appears to be adequate in the region. While it is impossible to estimate with any high degree of accuracy the number of workers available at any time, certain trends are suggestive. The high birth rate promises a supply of labor for years to come, while mechanization of agriculture has released many farm workers for industrial work. Moreover, the generally low level of living in the South presents an opportunity for attracting labor through higher wages in the factory. Decentralization of industry into this section is favored by the availability of land for part-time farming, an additional wage factor.

The supply of labor, present and potential, appears to be better in the Southwest than for the United States as a whole. This section had a higher (10.5 per thousand) excess of births over deaths than the average (7.1 per thousand) for the United States in 1940. The ratio of births to deaths has resulted in a total net increase in population greater than that for the country at large. Moreover, the people living in this section today are younger than those of the country on an average, 39 per cent of the population being under 20 years of age in 1939, compared with only 34 per cent in the whole country. This assures a better supply of labor in years to come. Similarly, the Southwest has a smaller percentage

of its population in the older age groups than has the whole United States.

Not only should industry find an adequate labor supply in the Southwest, but wages should also appeal. The average annual wage in the Middle Atlantic States in 1939 was \$1010, while in the Southwest is was \$591, a differential that is not likely to be wiped out suddenly. The lack of mechanical training in the Southwest is not considered a serious drawback, since modern machine processes are largely automatic and little skill is required. This has been demonstrated in other parts of the world, and Henry Ford has found it true in this country.

The power resources of the Southwest are generally considered adequate for industrial development. Four sources of power are present: coal, petroleum, natural gas and water power. The ease of transporting the last three makes them readily available to all portions of the region, while coal is rather widely distributed. Coal resources have not been utilized to any extent, partly because of competition from petroleum and natural gas. While the coal of the Gulf Coast is lignite and therefore of limited value at present, there is much bituminous coal elsewhere which has considerable potential value.

The Southwest is highly favored by its great petroleum resources. Its high fuel oil content, especially in the Gulf Coast region, is an advantage for industry. In 1940 the Southwest produced 39 per cent of the fuel oil of the United States, in spite of large refining centers elsewhere. In many types of demand for fuel, oil is superior to coal because of ease of handling and storage. The region also produces 62 per cent of the national output of natural gas, one of the important industrial fuels today. Mineral fuels in general are cheap and adequate in the area.

The water power situation in the Southwest is perhaps not as favorable for industrial development as is the case with mineral fuels, only 9 per cent of its total electrical energy being generated by water power in 1940. There are many factors in this situation. There has been little demand; the construction of dams involves a conflict between their use for power and their use for flood control; in parts of the area the streams do not have sufficient

water, while in other parts there is not sufficient gradient. As a result, this section has only 1.7 per cent of the potential water power of this country which is available 90 per cent of the time.

LIMITING FACTORS

It has been shown that the Southwest is advantageously situated with respect to raw materials, labor supply and power. Is this the case with capital, leadership, transportation and markets, the other legs of the industrial stool? It is difficult to evaluate the availability of capital for industrial purposes. A suggestion may be obtained from a study of deposits in savings accounts and in savings and loan associations. The Statistical Abstract indicates that in 1942 the southwestern states had on deposit 682.3 million dollars, which amounted to \$52 per capita. For the same date, New England had 5,161.4 million dollars or \$615 per capita, and the South Atlantic states had 2,641.2 millions or \$148 per capita. Dr. Walter Prescott Webb, in his book "Divided We Stand" suggests the same idea in tabular form (p. 23). Demand and time deposits, as of June 1933 were distributed geographically through the United States as follows: North, 79.37 per cent; South, including Texas but not Oklahoma, 9.72 per cent; and in the West 19.91 per cent. It does not appear that there is enough capital in the Southwest for extensive development of manufacturing. Dr. Webb again suggests a reason (p. 19) by calling attention to the location of 200 large non-banking corporations of this country. Ninety per cent of them are in the North, while the entire South has only 9, or 4.5 per cent. The profits of production therefore leave this section and return to the original source of capital.

Enough has been given to indicate that if manufacturing on a large scale is to be developed soon in the Southwest it must be done with imported capital. There is a possibility that even the capital which is available in the Southwest will hesitate to venture into untried enterprises. A number of influences are present which are rather discouraging, such as a limited local market, discriminatory freight rates for manufactured goods, and monopoly controls through ownership of patents. Experience has made erstwhile capitalists wary of new ideas. But in spite of the

discouraging outlook there are many opportunities for local capital. The number of manufacturing establishments in the Southwest increased 17 per cent between 1937 and 1939. These plants were widely distributed, of low capitalization supplied locally, employed a small number of workers and served local markets. But in this way reserves of capital may be built up which may facilitate expansion programs, if and when, the time arrives when retarding influences may be removed.

Markets for manufactured goods may be local, domestic, or foreign. In a region which is not industrialized the first and principal markets may be local. Domestic and foreign markets may develop later. For this reason the possibilities of local markets will be investigated first, and emphasized. The extent of local markets depends upon a number of factors, chief among them being the character of local buyers, including their purchasing power, the sales appeal of the product, and the competition of outside producers. Established competition is hard to overcome. Buyers become accustomed to certain types of goods and it is frequently difficult to induce them to try a new type or brand which may in all ways be superior.

In a number of ways, local markets (markets within these states) in the Southwest are not particularly encouraging, especially from the point of view of young industry. This section is notoriously conservative. Long periods of precarious living have created a pathetic acceptance of the status quo. Inertia is a dominating characteristic. Only time, with better incomes and education, will minimize this condition. Incomes are definitely below the United States average. In 1940 the largest group of workers who had no income other than wages, were in the \$1 to \$399 group, comprising 36 per cent of all workers. Even among workers who had other sources of income, 35 per cent were in this income group. The Southwest, having 9 per cent of the total population in 1939, contributed only 3.9 per cent of the federal income tax payment (World Almanac, 1944), another evidence that purchasing power is low in the region.

It is evident that local markets of the Southwest leave much to be desired. This suggestion is presented, not with the idea of discouraging attempts to industrialize the area, but to caution against undue optimism. Local markets do exist and they may well be served by local industry. But local marketing conditions should be carefully studied before capital is invested in local enterprises.

Dr. Webb illustrates vividly one of local marketing problems which is frequently encountered by young industries in a society which protects monopoly through patent rights. Chapter 6 of his book "Divided We Stand" covers the story of the struggles of a young Texas corporation against the pressure of a large eastern concern. The Texas corporation began business manufacturing glass milk bottles, using local supplies of silica sand, lime, and feldspar. Electric power was available, a large and growing market awaiting cheaper milk bottles was at hand, and local people supplied the necessary capital. The prospects of a profitable business were extremely good.

A few months after the factory opened for business, after it had established itself, the president of the corporation was called upon by representatives of Hartford Empire Glass Company of Hartford, Connecticut. They claimed that the young company was using a machine on which they owned patent rights and for the use of which a royalty must be paid, inasmuch as it was the policy of the Hartford Empire Glass Company not to sell the machines but to rent them. Refusal on the part of the Texas company to meet the terms of the eastern corporation resulted in a suit being filed in federal court. To obviate a costly trial the Texans agreed on a settlement which involved their acceptance of \$10,000 as a refund on the machines, and payment of a stipulated royalty on the factory output. A contract was drawn for a period of six months, the Hartford lawyers explaining that it was a policy of their clients to give contracts for short periods only. At the end of four months of the contract period the bottle company was notified that the contract would not be renewed, and that the machines would have to be returned. After the removal of the bottle-making machines, production was con-

tinued for a time using hand processes. Later the factory was purchased by an out-of-state concern which was in good standing with the Hartford Empire Glass Company. Soon afterward the machinery was destroyed and the building razed, and so ended an attempt at local industrialization. Here, truly, is an obstacle. The state cannot help, since patent rights are protected by the Federal government. The owners of patents are interested in the returns on their issued stock, not in the industrialization of the Southwest. Therefore, it appears that only as permission to produce is purchased from patent holders, can many types of industry come into being in this section.

It is needless to state that it would be more difficult to secure markets outside these states than within. The monopoly controls over the established markets elsewhere could hardly be broken. The same is true of foreign markets. Therefore further studies of markets and marketing must concentrate on local markets.

The discussion of transportation facilities of the Southwest is included with the limiting factors because today some aspects of the transportation factor are unfavorable. The physical facilities for land transportation are adequate, but this advantage is offset by unfavorable freight rates. The freight rate structure will doubtless be revamped some day but at present it appears that this section is handicapped. The Southwest has an excellent system of primary highways, and is nearly as well equipped with all-weather roads and railroads as the United States as an average. The section has more trucks per person than any other region in the country, and the railroad situation is satisfactory from a marketing point of view. Highways and railroads supplement each other.

The matter of freight rates has been a topic for discussion for many years. When our country was young and relatively sparsely populated, railroad freight rates were necessarily high. The practice developed of "charging what the traffic would bear." As the railroads spread their networks throughout the United States, rates were devised for different sections which seemed to be in keeping with the conditions and needs of the respective areas. Gradually the boundaries of the areas became more dis-

tinct, and within each region there was relative uniformity of freight rates for specified classes of goods. However, similar types of goods originating outside a rate territory faced a higher rate than that paid by goods produced within the territory. Thus competition was discouraged. The southwestern states, facing a decline in agriculture, are forced to turn to the use of resources other than agricultural, in order to maintain their economic stability. Inasmuch as regional markets are definitely limited here, markets must be found elsewhere. If freight rates on manufactured goods from this section are higher than rates on similar goods from other producing areas, southwestern producers are definitely handicapped.

The existence of territorial freight rate barriers has been officially recognized by the federal government. In 1934, Federal Coordinator of Transportation Eastman reported to Congress, "— An objectionable phase of the railroad situation for many years has been the maintenance of regional differences and distinctions which are very imperfectly related to differences in costs and of territorial boundary lines (Chinese Walls) where rate systems and practices change. It has tended to provincialize the Railroads and discourage national unity."

The foregoing quotation verifies the existence of freight rate differences which have been, and are today, antagonistic to the development of manufacturing in the Southwest. It should be observed, however, that the freight differentials probably had little adverse effect upon the welfare of this section while it was fundamentally agricultural. The demand for products of the farm was such that this section could dispose of its products in the northern and eastern markets and still have a fair margin of profit. In the case of freight rates on manufactured goods it is doubtful if the Southwest has been harmed greatly in the past. Freight rates on manufactured goods originating in the North and East moved at rates lower than those for similar goods originating in this section. Thus the consumer has profited, in a way. Today the situation is reversed to the extent that this section is attempting to improve its material welfare by manufacturing. The high freight rates on goods originating in the Southwest place our manufacturers at a disadvantage in compet-

ing with the manufacturers of the North and East. This applies to markets within these states as well as to other out-of-state markets. For example, manufactured goods from Illinois bear a lower freight cost when sold in Little Rock, Arkansas, than do goods produced in Louisiana or Texas and moved the same distance to that market. This is definitely discouraging to the Southwest.

A few examples of rates on first-class freight (manufactured goods generally take a first-class rate) in the southwestern territory compared with rates in the eastern or official territory may prove enlightening.

Rates stated in cents per 100 pounds.

From	To	Miles	First-class rates
Little Rock, Ark.	Decatur, Ill.	454	154
Springfield, Ill.	Cleveland, Ohio	454	106
Differences (in favor of eastern shipper)			48
Dallas, Texas	Chicago, Ill.	905	237
Chicago, Ill.	Burlington, Vt.	909	154
Difference (in favor of the eastern shipper)			83
Texarkana, Ark.	El Paso, Texas	830	270
Columbus, Ohio	Fort Smith, Ark	834	212
Difference (in favor of the eastern shipper)			58

These comparisons were taken from House Document No. 264, 1st Session of the 75th Congress, which dealt with "The Inter-regional Freight Rate Problem of the United States," a survey conducted by the Board of Directors of the Tennessee Valley Authority, dated 1937. It will be noted that in every instance the advantage in freight rates was in favor of the manufacturer outside the Southwest. Rates on first-class freight only were represented. The same relationship is found in the case of special commodities, of which a few cases from the same source are quoted below.

Glassware			
From	To	Miles	rates (cents per cwt.)
Tulsa, Okla. Marion, Ind.	Chicago, Ill.	670	71
	Richmond, Va.	685	46
	Difference		25
Shreveport, La. St. Louis, Mo.	Indianapolis, Ind.	733	71
	Batavia, N.Y.	731	48
	Difference		23
Cotton Fabrics			
Little Rock, Ark. Rockford, Ill.	Toledo, Ohio	738	88
	Williamsport, Pa.	741	79
	Difference		9
Dallas, Texas Aurora, Ill.	Springfield, Ill.	726	96
	Roanoke, Va.	702	77
	Difference		19
Canned Goods			
Houston, Texas Indianapolis, Ind.	Indianapolis, Ind.	950	71
	Fall River, Mass.	960	53
	Difference		38

Commodity rates, as with first class rates, appear to favor the shipper in the eastern section of this country. In many cases his rate is not more than 50 per cent as high as that of the shipper in the Southwest. The advantages of the southwestern shipper in regard to raw material and labor supply can hardly compensate for his disadvantage in marketing his goods. It appears evident that a material adjustment in interregional, as well as intra-regional, freight rates must be secured before the Southwest can expect to become industrialized.

Last year an Interstate Commerce Commission ruling established uniform class rates for freight moving in and through the rate territories east of the Rocky Mountains. The Southwest should be the chief beneficiary of this ruling because this section has had the highest rates of any part of the country. Texas should profit the most of the four states in this group. The I. C. C. has prescribed a 10 per cent reduction in freight rates east of the Rocky Mountains except in the eastern or official territory in which rates were increased 10 per cent. Those interested in industrialization of the Southwest have hailed this ruling as removing the last difficult barrier. On May 20, 1945, the Commis-

sion also ordered a nation-wide application of a uniform classification system, so that an article will fall in the same rate category, no matter where it is shipped. These orders were to go into effect in August, 1945, but the railroads pleaded for an extension in order to have time to adjust the complicated rate structure, and were allowed until January 1, 1946. In the meantime cases were taken to court by Georgia and Nebraska on the grounds that the railroads were impeding the economic development of the respective regions. Many delays in court action have followed and it appears that many months may pass before decisions are rendered. Freight rates have not been adjusted and now the railroads are requesting a 25 per cent advance in all freight rates.

The ultimate results of the action of the Interstate Commerce Commission cannot be foretold at this time. Only class rates, which from the standpoint of traffic tonnage are the least important of the different kinds of rates, were involved in the proceedings. The ICC made a study of all carload traffic transported on September 23, 1942, and found that only 4.1 per cent moved on class rates, 10.7 per cent on exception rates, and 85.2 per cent on commodity rates. For this reason the Southwest should view the ordered rate reduction only as an initial move which probably will require several decades to achieve. According to transportation experts, present class rates in the southwestern rate territory average 35 per cent higher than those of the official territory. Under the ruling of the Interstate Commerce Commission, southwestern rates will still be materially higher than those of the northeastern part of the country. Consequently, discriminatory freight rates will continue to be a deterrent to extensive industrialization in the Southwest.

SUMMARY

In summarizing the facilities of manufacturing in the Southwest it appears that this section is unusually well provided with raw materials, from its farms and ranches, from its mines and forests. It also has completely adequate supplies of power from its oil and gas fields and from its coal deposits. In places, water power may supplement other forms. The industrial labor situation is likewise favorable for the present, and promises to be adequate

to meet future needs. However, the area is handicapped for lack of capital and markets to support much manufacturing. An additional handicap is found in the lack of technically trained leaders, as well as the control of basic patents by northern corporations. Unfavorable freight rate structures likewise are discouraging.

In balancing the two sets of factors, there appears a definite note of optimism. This section does have 13,000,000 potential buyers of manufactured goods, much of which is now being supplied by factories outside the region. The population here can and will provide some industrial capital, and freight rates can be modified if enough pressure is brought to bear upon the Interstate Commerce Commission. Also, with an increase in technical training, as well as the establishment of research foundations in this region, the Southwest can train leaders who can develop ideas which may be used here. Modification of patent laws, along with education in regard to their use, may simplify the growth of manufacturing. The long-time results will depend, in large measure, upon how diligently the people of the Southwest attack these problems affecting their welfare.

Economics and Full Employment

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For generations to come World War II will be the "subject" of appraisal or evaluation. Tons of printed materials which take a "look" at the war will load the shelves of the public and private libraries of the world. Utterly beyond estimation will be the number of spoken words from the public platform, over radio, and in private conversation — words on the assessment of the war. These appraisals will present a large variety of points of view — causes of the war; the military campaigns; the issues at stake; the fruits of victory; the frictions and conflicts created by peacemaking; the scientific achievements through radar, improved ordnance, the atomic bomb; and so on *ad infinitum*. Probably more interpreting will be done on the problems created and questions raised than on problems settled by the war.

The realization of "Full Employment" in the United States by reason of our participation in the war and the enormous output resulting therefrom will be properly assessed as one of the important achievements of the war. This achievement has become a problem of major concern to the nation and to the world. The mass unity created by the war and the determined will to win put the nation's total resources to work as they had never before been utilized. We covered the seas with ships and filled the skies with aircraft. With amazing speed we mobilized and trained twelve million troops. Government, industrial management, organized and unorganized labor, farmers — all entered into a kind of partnership undertaking to produce at a maximum level of output the materials and services necessary for our far-flung military operations as well as for allies fighting by our side.

Our best minds of science were set to work to win the race of new discoveries in techniques of destructive devices. Their efforts brought not a few victories in the race. The secrets of atomic-energy release and the application of this new energy in the atom bomb no doubt will hold rank as the crowning victory in the race.

The war is in the final stages of ending. But the atom bomb — war's supreme discovery — remains as a perplexing problem for all mankind. How to make best use of atomic energy for peaceful ends in a world at peace, how to realize agreement in the international mind as to practicable methods for reasonable protection for humanity as a whole against its terrible potential destructiveness in another possible war, in short, how to perfect and advance an achievement of war to the good of humankind all over the world — these are dominantly important unanswered questions of these present anxious days. And no group is more concerned that the right answers be found than are the discoverers themselves. Far better than can any layman the physical scientists realize the seriousness of the problem created by their discoveries.

This short detour by way of atomic energy discovery and its companion problem is an approach to another war achievement and its attendant problem — full employment. At least in one respect these two achievements have close similarities. Both were realized by national will. Both represent a realization of national purpose. But there are marked dissimilarities. Full employment was not a discovery. No secrets were revealed, no mysteries unveiled, which released the full utilization of human, material, and technological resources for unparalleled production of goods and services for winning the war. Full employment was an effective realization of our economic potential. Moreover, there was no Manhattan Project, no secret work of collaborating scientists involved in bringing about full employment. Full employment was an inevitability of conjuncture—the result of a favorable combination of circumstances.

These circumstances are commonplace. They are familiar to the "average" man. A great nation was facing a serious crisis, fighting for its existence and for rights it held dear and worth preserving at great cost. Guns, airplanes, ammunition, ships, lumber, metals, fuels, clothing, food, millions trained for combat and other millions trained to support them — all these were needed and in extraordinary volume. This pressing need emerged with suddenness in an environment of great abundance of manpower, land, minerals, fuels, forests, factories, transportation facilities,

financial institutions, technical knowledge — relatively great abundance of all the means necessary to large output. The immense need of the nation was translated into effective demand when our national government entered the market with a "full pocketbook" and announced its purpose to buy at favorable prices a national output unlimited. Large sustained aggregate demand for the first time in our history was sufficient to call forth a sustained and abundant flow of goods and services from our national productive potential. Accordingly, the total man power and other resource powers of the nation were put to work.

The "economic millennium" had come. Everybody who wanted a job at good wages could have it. Indeed, millions of women, youth, and older persons who normally would not be in the labor market were induced by attractive wages and by the stimulus of patriotism to enter training and to move as quickly as possible into high-wage jobs. That this experience in full employment, this first real "chance" for millions to taste the good of economic opportunity, would make a marked impression on the minds of the masses is obvious. Revealing indeed would be the record of words spoken in conversation by these working millions — conversations on the fact of full employment. Unfortunately for history this kind of evidence can never be captured. It would seem not unreasonable, however, to suggest the strong probability that the masses were asking in substance why this condition had not been realized before; why the war with all its tragedy was necessary to bring the blessing of a good job, the chance to earn enough to get things so long needed but denied, the prospect of building a modest estate for family security; why a condition of abundant production and jobs could not be continued into the days of peace ahead. These reflections probably extended beyond the stage of mere assent or sanction and "hope" for continuance. Approval and hope generate expectation, and expectation is not far removed from demand. How deeply rooted in the mass mind is this approval of and demand for sustained full employment nobody knows. If these roots reach down deep into a sense of "inherent rights" or "common justice," then it is a state of mind that cannot be lightly cast aside or complacently ignored.

The realistic economic lesson in full production during the war was matched by another economic lesson no less realistic — the demonstration of consumption on mass scale. Workers whose labor took tangible form in wheat, meat, poultry products, butter, tanks, aircraft, guns, trucks, jeeps, shells, bombs, ships, synthetic rubber, gasoline, clothing, and so on were not ignorant of where these things were going and what was happening to them. Newspapers and radio told them in vivid and tragic language. Workers were fully aware that these creations of their labor were being "used up" or destroyed on a scale unparalleled in history. This lesson in what constitutes consumption in the correct economic sense will not be soon forgotten. It may indeed be no exaggeration to say that the matching of abundant production and full employment with abundant "real" consumption was war's historic economic lesson to the masses of the nation's workers.

This economic object lesson in abundant "real" consumption, as was the experience with full production, carried forward in mental reflections into the years of peace. No flight of mere fancy or imagination was necessary to translate the real consumption of war into tangible forms of real consumption in peace. The flow of war goods and services turned into the channels of peace meant converting food for troops into a more adequate menu for millions who formerly could "afford" only a substandard nutrition; turning lumber, steel, rubber, glass, aluminum, copper, zinc, wool, cotton, cement, plastics into thousands of miles of super-highways and rural roads, new and improved houses for an underhoused nation, schoolhouses, automobiles, hospitals, civilian clothing, household appliances, furniture, improved railroad facilities, a network of civilian airways, parks and playgrounds; shifting the services of war nurses and doctors into the extensive work of raising the health level of millions of our population.

These were conversions of real consumption that appeared reasonable to the human mind. If the premise here posed be valid, it follows that one important aspect of the full employment problem arises out of a clarification of understanding among the masses of our population of what real consumption means in relation not only to maintaining full production but to sustaining a high

level of living. This understanding prepares the masses to distinguish between "value received" for labor performed or for products sold from farms in terms of monetary income and the real rewards in terms of the amount of tangible goods and services which can be "used up" or "destroyed" in their day-to-day experience. In other words, the "capacity to consume" means something quite different from the "capacity to spend."¹ The conversion of a war economy with its mass consumption into a peace economy with mass consumption means vastly more than changing from high money income in war to high money income in peace. It means changing the mass scale "using up" of goods and services by government in the prosecution of war into mass scale "using up" of goods and services by our whole population in the pursuit of peacetime satisfaction.²

The phrase "burden of abundance" no doubt is strange language to countless millions of common folk. How abundance can be a "burden" would be a mystery to ill-clad, undernourished, underhoused men, women, and children — a mystery to the multitude of human beings who either cannot afford or do not have access to health-restoring and -conserving means — a mystery to those who see every day the need for household furnishings and appliances, automobiles, farm machinery and equipment, rural roads, rural telephones, rural electrical service, more parks and recreational facilities, improved business and industrial buildings, more commodious and better-equipped school buildings, more and better teachers, more beautiful churches, modern courthouses and civic buildings, fireproof hotels, and so on.

¹For a thought-provoking discussion of the concept of consumption, see "The Consumption Concept in Economic Theory," by Kenneth E. Boulding, in *The American Economic Review*, Vol XXXV, No. 2, May 1945 Supplement, pp. 1-14.

²"The great problem of the modern age, therefore, is how, eventually, to increase consumption to the point where full production can be maintained. Unfortunately the only respectable method of consumption on a large scale is war, and it is to this that the nations resort, apparently, when the burden of abundance becomes too great." Ibid, pp. 13-14.

Our nation has never seen full consumption in times of peace. But it can be said with certainty that we must have full peacetime consumption if we are to maintain full peacetime production. The processes of utilizing resources in a best or optimum sense (full production) must be matched or accompanied by processes of best or optimum using up (full consumption) of the goods and services produced. An economy of abundance not only will create and maintain a continually enlarging flow of goods and services for the satisfaction of want but will keep this flow in movement in a sustained and enlarging economic process of using up the goods and services produced. No longer is the perplexing problem that of keeping the economic stream filled to the brim with an endless variety of things and services. But how to prevent the stream from becoming overfilled, how to prevent it from becoming dammed up, how to keep open the ways of access to the stream by human beings who want and need the abundance in the stream — these are the questions which perplex. These questions involve morals or ethics, but they are not moral or ethical exclusively. They are also **economic**. But economics approaches them not as moral and ethical questions but as economic questions. It may be morally desirable and ethically just that human wants and needs be adequately satisfied. It is **economically** necessary that abundant consumption be maintained if our productive potential be utilized in full or optimum measure.

The "problem" of full employment was not created by economists or by others who make no claim to the title of "professional economists" but who feel qualified to express themselves on economic problems or questions. But the "problem" is nevertheless a reality. Economics would be expected to have something to say regarding it.

Not many months after Pearl Harbor, full employment in this country was **fait accompli**. The index of physical volume of output of goods and services in the United States increased from 109 in 1939 to 199 in 1942 (1935-39 base of 100) and to 239 in 1943.³ A major war objective had been realized. The realization of a

³"Basic Facts on Employment and Production," *Report to the Committee on Banking and Currency*, September 1, 1945. (79th Congress, 1st Session, Senate Committee Print No. 4), p. 4.

high level of output, without precedent in the nation's history, stirred national imagination. In political forums, in the press, over radio, in labor and trade association meetings, the maintenance of full employment after the war ended was a topic of extended discussion. These discussions focused attention not only on the desirability and the means of continuing full employment in the period of peace but on the **necessity** for such continuance. Probably most representative of the interest of the nation's business community in the full employment problem is the Committee for Economic Development which was organized and its activities started in 1942. Mr. Paul G. Hoffman, Chairman of the Board of Trustees of the Committee, stated the purposes and philosophy of the organization as follows:

"The Committee for Economic Development is an organization incorporated . . . for the purpose of *assisting commerce and industry in their maximum contribution toward attaining and maintaining high levels of productivity and employment in the postwar period.* . . .

"Philosophically, the members of C.E.D. believe that the general public welfare will be best served by maintaining and strengthening our system of free private enterprise in the postwar period. However, they recognize that there are areas where public enterprise should prevail because it best serves the public interest. They also recognize that the public interest, as well as the effective functioning of our economy, always has and always will call for intervention of the part of the government. Insofar as possible, they feel that government intervention should be exercised through impersonal rather than personal controls. Finally, and most importantly, they take the position that free enterprise can best bulwark itself in the postwar period by *laying out a program calling for a record-breaking expansion over prewar levels in the output of goods and services. They hold that the yardstick used by the general public in measuring its performance is employment. If there is a plenitude of well-paid jobs, the public judgment is favorable. On the other hand, if there is substantial unemployment, questions are raised as to whether the system should not be changed.*" (Italics supplied.)⁴

One cannot examine the literature on full employment and recall the editorials and radio addresses on the subject since 1942 and escape the conviction that during the heyday of full employment in wartime there was general concern about the implications of what Mr. Hoffman calls the "public judgment" favorable to a continuance of full employment in peacetime. It may well be that this public judgment had not weighed all aspects of the questions and had accordingly not fully considered at what "price" full employment could be had.

⁴Paul G. Hoffman, The Studebaker Corporation, "Business Plans for Postwar Expansion, *The American Economic Review*, Vol. XXXV, No. 2, May 1945 Supplement, p. 85.

The peak of production of pamphlets, magazine articles, editorials, public addresses, and books on full employment was reached in 1945 when the Murray Full Employment Bill was before Congress. An interesting reflection on the apparently quite generally accepted status of this "public judgment" appeared in an article by Mr. Philip Cortney, published in a financial journal of wide circulation.

"It is my firm belief," wrote Mr. Cortney, "that the Murray bill, or some modified form of it, will be adopted by Congress. . . .

"If my assumption that a full employment bill will be adopted is correct, then I think our efforts should be directed towards providing safeguards against its ill-effects, rather than fighting the bill. . . .

"Those who still doubt that we are moving into further social and economic experimentations, and that, willy-nilly, we shall have to give a test to the full employment theory, are asked to reflect upon their own answer to the following question: 'If we were again to have 10 to 15 million unemployed, what would be the attitude of the people and of the Government?' Unless I am grossly mistaken, the answer is obvious. The pressure on the politicians would be so great that they would move very far and very fast—and probably in the wrong direction. It is wiser to be ready for such an emergency and forestall the taking of hasty measures under the impulse of events and public clamor."⁵

Further on in his article Mr. Cortney said:

"I do not profess to know what the future holds in store for us, or what the answers are to a great many problems which are confronting the world after the war. I share however, with many other, *the conviction that widespread unemployment will not be tolerated by the masses*. It will be too easy for any demagogue or for anyone who does not understand the implications of the full employment issue to howl: 'Must we have war to have jobs?' I am also doubtful that the common man will have any sympathy for those who advocate 'sanity' in the name of sound fiscal policies—or for the sake of our liberties. There again, the masses will be inclined to accept the reasoning that if we found money to build tanks, guns, and airplanes, we ought to find money to provide post-war jobs." (Italics supplied.)

Representatives of business groups and of labor organizations were having much to say on the problem of maintaining full employment after the war. It would be expected that economists and popularizers of economic questions would have even more to say. A concurrent examination of the literature of full employment by the writer (for the most part cursory only) resulted in the accumulation of a large number of bibliographic titles. Under the classification of books and pamphlets for the years 1944-1946 were listed 44 titles with a total of 5,825 pages. Ex-

⁵Philip Cortney, Vice-Chairman of the Board and Treasurer, Coty Inc., "Full Employment—Wages and Democracy," *The Commercial and Financial Chronicle*, Vol. 162, No. 4418, September 6, 1945, pp. 1041 and 1058.

cluded were all items not bearing directly by specific title on full employment. Had books and pamphlets discussing matters related to full employment been included, the list would be all but endless. Under the category, "Articles and Reviews," 124 items with a total of 527 pages were listed for the period, 1943-1946. The list of items under the heading of "U.S. Government Documents" included 30 titles with a total of 4,148 pages.⁶ Only three of these titles bear a date prior to 1943. The 1259-page report on the hearings before the Senate subcommittee on the Full Employment Bill of 1945 (Murray Bill) in itself is a fairly adequate library on full employment.

An article on "Economics and Full Employment" might be expected to present a review of the literature on the subject. Such a review would be not only ambitious folly but an undertaking which, if feasible, would extend quite beyond reasonable space limits. Even a general or rough classification of the materials with respect to major points of view presented would be a most tedious job. Searching for uniformities in this continually enlarging mass of materials (both written and spoken word) leads but to discouraging futility. But this is an experience not new to anyone whose curiosity leads into the maze of economic writings. The maze is complex in the extreme for the reason that the contributors to economic literature represent wide divergencies of points of view, scientific training, and purpose. The question of full employment is no exception. Conflicts and divergencies of view and of conclusions on the recognized "economic problems" of time and place are as old as economics. It is a matter of great satisfaction that it can be said that when time and place circumstances allow for freedom of thought expression there has been no "one way" of looking at economic questions. Consequently, in an environment of freedom, divergencies and conflicts of view would be expected. Free men would have it no other way.

⁶A useful bibliography on full employment (briefly annotated) was compiled in 1945 by the Legislative Reference Service, Library of Congress. This bibliography was prepared upon request of the Senate Committee on Banking and Currency in connection with the Committee's consideration of the Murray Full Employment Bill. See "Bibliography on Full Employment," *Report to the Committee on Banking and Currency*, June 25, 1945. (79th Congress, 1st Session, Senate Committee Print No. 2.)

Much of the published materials on full employment represents views of well-meaning persons whose writings involve little else than expressions of hope. The prospect of a high level of economic well-being to be realized through balancing a high level of consumption with a high level of production is a perfect setting for writing and speaking in glowing terms of an era of utopia ahead. The literature of hope, however, even in relation to economic matters, may be highly creative. Even though the goal of full employment in peacetime is but an unrealized ideal, the desire to achieve the ideal may be the stimulus to discovery of effective means for realizing such an achievement.

On the other hand, a considerable portion of the literature on full employment comes to grips in close quarters with the real impediments which block the road toward the realization of full production and full consumption. Some analysts conclude that the difficulties are not insurmountable, that full employment can be achieved if society is willing to pay the "price." They seriously ask if the condition realized is worth the price paid. The price would include the abandonment or giving up of practically all the economic freedoms — the free enterprise system, the free market, freedom of choice of occupation, and freedom to shift from one occupation to another and from one labor market to another. It is not unusual for this type of analysis to point out that full employment was realized to a marked degree in Mussolini's Italy, in Hitler's Germany, in Stalin's Russia. Everybody has certainty of a job and reasonable economic security under a system of human slavery and in only a slightly lesser degree under a system of serfdom. The abandonment of a free society as the price for full employment means the establishment of the Economic State with full authority to **control** the economic life of its citizens. Thus, this kind of analysis develops a rather convincing background for posing the question, "Is the price too high?"

Another line of reasoning leads in the opposite direction. The achievement of full production in wartime is additional evidence that an economic system will operate at capacity output only when social enterprise with its expansive powers is substituted for private enterprise. This analysis finds that the overwhelming

evidence of economic history supports the generalization that only a centralized and socially controlled economic system can maintain full production. A large social entity — the State — can have purpose. The State can set its aim toward reaching specific goals in economic output. Reaching the goals set for war output affords a convincing example. An absolute Economic State — Russia, for example — secures full employment to meet national needs both for war and for peace. The State determines in large measure what is to be produced and in what quantity. Control is sufficiently centralized and made effective through absolute State power to **guarantee** whatever condition of employment the central authority desires. This point of view holds that economic freedoms of a free enterprise system are largely a fiction; that selfish interests and monopoly set up barriers to the satisfactory operation of a competitive system; that the appropriation by private owners of the means of production of "surplus value" created by workers leads to gluts, widespread unemployment, and misery. The solution of the full employment problem, according to this kind of analysis, cannot be found in a "free" economic system. The solution can only come through a basic change in the system.

A sizeable block of current literature on full employment surveys the middle ground between these extreme views. This course of reasoning sanctions economic experimentalism within the framework of a free economy. A large variety of experimental arrangements are proposed. In this connection, business cycle troubles are again undergoing thorough diagnosis. Economists are pursuing with renewed zest their search for effective cures for the economic sickness apparently inherent in cyclical fluctuations of business. It does not seem to be stretching a figure of speech to say that the troubles of the cycle are recognized as having the nature of a cancerous disease of a free economic system. The recurring trouble has persisted in increasingly aggravating form for more than a hundred years. The ups and downs of economic activity spell instability of employment. When the problem of the maintenance of full employment emerged as an aftermath of war, economists would be expected to re-examine the entire complex of existing economic circumstances with the view to discovering workable arrangements which might be tested in

actual application toward the end of bringing under reasonable control the tendency for business to move through time from serious extremes of high and low employment. Accordingly, the proposals for experimenting with credit controls, taxation, public works reserves, and the like are receiving new emphases in relation to the maintenance of full employment.

The view that the current circumstances surrounding the pending problem of full employment warrants courageous experimentation with new economic arrangements — new adaptations within a free economy which represent sharp departures from the traditional *laissez faire* philosophy — probably has taken most tangible form in this country in the federal Full Employment Bill of 1945. Good examples of formal or systematic presentation of this approach are the 429-page book, *Full Employment in a Free Society* (1945), by Sir William Henry Beveridge, and the widely read 216-page book, *Sixty Million Jobs* (1945), by Henry A. Wallace. One cannot examine the 1259-page record of the hearings on the Full Employment Bill before the Senate subcommittee and not be impressed by the apparently wide current acceptance of the points of view represented in these two books.

Consideration of the Full Employment Bill of 1945 was not a new experience for Congress. The Employment Stabilization Act of 1931 was aimed at reducing unemployment during periods of business inactivity by means of federal public works planning and construction. The bill which eventually became the Act of 1931 was introduced in the Senate in 1928. A bill for the correlation of unemployment statistics with population growth, migrations from farms to cities and vice versa, and immigration became law in 1930. But the provisions of these two acts were mild in comparison with the bold and positive provisions of the 1945 bill. The earlier bills were concerned with unemployment — the latter with "maintenance of employment opportunities for all who are willing and able to work." Review and appraisal of the Full Employment Bill of 1945 are not within the purpose of this article. Reference is made to it as evidence not only of the "problem" of full employment, but also as one of the many tangible proposals for doing something about the problem. It should be said, however,

that the version of the bill which Congress enacted into law was only an obscure ghost of the bill as originally proposed.⁷

⁷The drafters of the Full Employment Bill spared no pains in particularizing the purpose of the bill not to weaken or hinder the operation of the free enterprise system. The declaration of policy is stated in Section 2 of the bill. It reads:

"The Congress hereby declares that—

"(a) It is the policy of the United States *to foster free competitive enterprise and the investment of private capital in trade and commerce* and in the development of the natural resources of the United States;

"(b) All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right;

"(c) In order to carry out the policies set forth in subsections (a) and (b) of this section, and in order to (1) promote the general welfare of the Nation; (2) foster and protect the American home and the American family as the foundation of the American way of life; (3) raise the standard of living of the American people; (4) provide adequate employment opportunities for returning veterans; (5) contribute to the full utilization of our national resources; (6) develop trade and commerce among the several States and with foreign nations; (7) *preserve and strengthen competitive private enterprise, particularly small business enterprise*; (8) strengthen the national defense and security; (9) contribute to the establishment and maintenance of lasting peace among nations, it is essential that continuing full employment be maintained in the United States;

"(d) In order to assist industry, agriculture, labor, and State and local governments in achieving continuing full employment, it is the responsibility of the Federal Government to pursue such consistent and openly arrived at economic policies and program as will stimulate and *encourage the highest feasible levels of employment opportunities through private and other non-Federal investment and expenditure*;

"(e) To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment; and

"(f) Such investment and expenditure by the Federal Government shall be designed *to contribute to the national wealth and well-being, and to stimulate increased employment opportunities by private enterprise.*"

Section 8 provides further under the title, "Interpretation," that

"Nothing contained herein shall be construed as calling for or authorizing—

"(a) the operation of plants, factories, or other productive facilities by the Federal Government;

"(b) the use of compulsory measure of any type whatsoever in determining the allocation or distribution of manpower; . . ." (Italics supplied.)

Numerous magazine articles, pamphlets, editorials, labor union publications, reports of trade associations, and syndicated articles appearing in metropolitan newspapers present a wide variety of views on full employment. Some writers refer to full employment as if it were a "pipe dream" of visionary minds. The more "radical" authors would seem to infer that full production would be easily realized, were it not for the abuse of economic power by "big business" or "selfish interests." Some see high wages as the real obstacle; others, low wages. Restrictions imposed on economic activity both by "business" and "labor" monopoly are to some writers real bars to the release of the full productive powers of the nation. Strong cases are made for the removal of barriers to free economic intercourse with other nations as a step toward full employment in this country. Equally strong arguments are made to the effect that imports of goods and the purchases of foreign services deprive our own workers of jobs and thus make full employment an impossibility.

The accumulating mass of literature provides abundant **proof** in the "printed word" for any one of several positions which might be taken with respect to full employment. One wonders what victory can come from this battle of "words." However, one who honestly endeavors to understand the sincerity of purpose and unbiased analysis from which a large number (though not all) of these views stem will not be in the least disappointed by the utter absence of any **one principal core of agreement** which bears reasonable promise that full employment will be realized within the foreseeable future. It may well be that out of the conflicts may come a synthesis which will remove the veil from the mysteries of the economics of potentiality.

One can be certain that the current question on the desirability and feasibility of maintaining full employment is lying open and exposed on the doorstep of economics. That professional economists are not in agreement on the question is not disquieting. Doctors of medicine and surgery disagree on both diagnosis and treatment in cases of human illness even when life may be at stake. Engineers, astronomers, geologists, physicists, psychologists are not always in agreement on the unsettled question in their respective sciences. Economists who confront the realities of variations

in economic activity, some of which result in crises of low production and widespread unemployment, might be inclined to seek escape in the conclusion:

"I grant that, having indicated what in my opinion is the principle of justice in this matter, I do not feel myself equal to the task of showing how it can be realized. The present method of distributing the fruits of industry among those who have co-operated in its production appears to me to be curious. But a state of society absolutely different from that with which we are now acquainted appears to be beyond the wit of man to devise."⁸ It is somewhat discomfoting, however, to reflect on the fact that this was an escape conclusion of a sincere scholar who was inquiring into the realities of economic crises and unemployment more than a century and a quarter ago.

It is interesting, if not intellectually discomfoting perhaps to some professional economists, that a businessman writing in 1945 concludes:

"When discussing the causes of depressions and unemployment, we find some economists imputing their cause to under-consumption; others, on the contrary impute it to inflationary spending. Some economists think that the cause of depressions is over-saving; some plead that it is under-saving. Some economists say that at the peak of a boom, we should increase discount rates; others say we should decrease them. Some economists think that the answer to the unemployment problem is low wages; others say it is high wages. Some economists attribute depressions to over-investment; some attribute it to liquid savings not being invested. If economists are unable to agree among themselves on the causes of depressions and unemployment, how can the ordinary individual or the legislator be expected to make up his mind about the proper thing to do?"⁹

A large group of respected "authorities" would maintain that it is not the function of economics positively to declare what is "the proper thing to do" with respect to the problem of maintaining full employment. What to do is a matter to be decided in view of the immediate circumstances in the face of which literally millions of managers, workers, farmers, professional men and women, and governmental authorities must make economic decisions. Economics has a big enough task in making analyses and in formulating at least tentative conclusions on what effects may be expected to follow individual and public economic choices. Notwithstanding this entirely reasonable and defensible view on the purpose of economics as a discipline, the "ordinary individual" and

⁸M. de Sismondi, *Nouveaux Principes d' Economie Politique* (1819), p.364.

⁹Philip Cortney, *supra*, p. 1058.

the legislator under pressure of his constituents will not be less concerned about the proper thing to do when the troubles of spreading unemployment threaten.

That something will be done toward maintaining full employment — though the **something done** may be delayed until employment alarms have sounded — is a conclusion widely accepted in this country. Public policy at both the state and federal levels and the policies and practices of private business and possibly of labor unions undoubtedly will be oriented in part toward the objective of full employment. These policies and practices no doubt will be influenced to some extent by what economists have to say about full employment. The constructive contributions which economics can make through objective analyses and possibly through unbiased suggestions on policies and practices will be weakened to the extent that so-called professional economists are partisan in their approach. Evidence indicating a general tendency for economists to speak the voice of their employing agency leaves plenty of room for doubting the reliability of economics as a guide to public and private policy and practice in relation to full employment.

Economics can be helpful in clarifying the meaning of the full employment concept. Does full employment mean 53 million jobs in 1948 or 60 million jobs? The upper and lower age limits of the nation's labor force, the proportion of women workers to the total number of gainfully employed, the length of the working day and of the working week, the number of work days lost by workers in shifting from one kind of job to another or in adapting labor saving devices to the productive process, the wage rates paid for the endless job classifications in the large variety of occupations — what does full employment mean in relation to these and many other variables in the total national economy complex? Some advance has been made in clarification in these connections. But much remains to be done.

Economics appears to be doing a fairly satisfactory job in analyzing the "uncertainties" in relation to the maintenance of full employment. This is a positive contribution. But can a more positive contribution be made in the much more difficult area

of "certainty"? Can economic analysis yield reasonable predictions on certainties in relation to the probability of achieving full employment in a free society?

There is general agreement that government intervention will be necessary if full employment is realized in a free enterprise system. Can economic analysis find the point of balance between government intervention and unrestricted freedom of economic choice—a balance through which experience will demonstrate that government intervention will be a complement and aid to a free enterprise system in realizing the economic potential of a great nation in matching full production with full consumption?

In most of the formal schemes or combinations of arrangements for maintaining full employment, government intervention and public enterprise are assigned a fairly large sphere of activity. Can economic analysis show that, short of the establishment of the Economic State (which would destroy the freedoms we cherish and which the overwhelming mass of our population purpose to preserve), the mere fiat of government action in the economic sphere will probably not guarantee full employment? The ambitious arrangements provided for in the proposed Full Employment Bill of 1945 did not seek to destroy or to limit the free enterprise system. The sphere of free economic choice would not be restricted. If such a combination of public and private choices is to work effectively toward keeping the economic machine operating at optimum output and with full employment, it follows that most of the decisions on whether to work or not to work under specific wage and working conditions, whether to employ or not to employ workers in given price and cost situations, whether to spend or not to spend, whether to raise prices and increase profits or whether to keep prices as low as possible in order to encourage consumption, whether to work with efficiency and purpose to keep costs low or whether to loaf on the job—most of these decisions will be private and not public.

What these private choices will be or might be in the countless millions of separate situations which exist in the day-to-day operation of a large and highly developed national economy it is probably beyond the possibilities of economic analysis to deter-

mine. The realization of full employment requires more than the expressed will of the nation as this will or purpose is signified in a federal statute or in the actual operation of a combination of public economic policies. In a free system in which individuals and business units as producers and consumers must necessarily hold the balance of power to make decisions, the will or purpose which yields full employment will be private and not public.

If economics is to make progress in finding the secrets of motivation in free economic choice and in developing understanding of free choice as a force in the maintenance of full employment, persistent experimentation with new research approaches and techniques would seem to be an inescapable necessity. The compilation of imposing tables of statistics and the representation of economic phenomena by means of complicated mathematical formulas and graphs will not suffice. Nor will the writing of textbooks which hit the jack pot in an extensive list of adoptions likely yield any noteworthy results (except in royalties to the authors). Needed is economic research of a brand quite different from the kind of economic research which results in new manipulations and interpretations of census data. If the key to understanding of the full employment problem involves advancement of knowledge of the *determinants* of free choice in a free enterprise system, the "rabble hypothesis" as a premise of economic research must be critically re-examined.¹⁰

The urgent need for economic abundance for waging large-scale war created full employment. Recognized human need for abundance for sustaining a high level of living in peacetime calls for continuing full production. How to convert this achievement of war into a reality of peace remains a problem. For economics, Full Employment is a "Shore Dimly Seen."

¹⁰Elton Mayo, *The Social Problems of an Industrial Civilization* (1945), Chapters I and II.

Government — Checked and Balanced

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Not logic, but history, explains the recurring helplessness of our governmental machine in periods of crisis. However unpleasant, the Pegler-Adamson assertion that the Founding Fathers intended to establish a Republic and not a Democracy is accurate. In 1787 democracy was a more radical aspiration than socialism is today. And the Fathers, representing "the Better Classes," wanted as little of it as was possible in the face of the demands of such popular leaders as Patrick Henry, Sam Adams, John Hancock, Thomas Jefferson and Tom Paine — none of whom attended the Constitutional Convention. Patrick Henry stayed away because in his own words he "smelt a rat" in that select meeting of "the rich and well born." Of the great democratic leaders only Ben Franklin was there and he was reluctant about ratification.

A sampling of the remarks of the Fathers in the Convention makes their attitude toward democracy quite clear. McHenry denounced it as synonymous with "confusion and licentiousness." Ellsworth distrusted "leveling democracy" and later denounced Jeffersonian democrats as "apostles of anarchy, bloodshed, and atheism." Mercer objected "to the mode of election by the people . . . The worst possible choice will be made." Sherman thought "the people . . . should have as little to do as may be about the government." Hamilton outspokenly favored a monarchy and the equivalent of a house of lords as the only possible protection for "the rich and the well born."¹

¹These and numerous other quotations indicating the fear, distrust and hatred which many of the Founding Father's felt for democracy may be found in Charles Beard, *An Economic Interpretation of the Constitution of the United States* (1913).

Their great problem was to devise a form of government that would deprive the people of effective governmental power and yet appear sufficiently democratic to win popular acceptance.² Only genius could solve such a dilemma in the face of the democratic ideals of 1776. The solution was that intricate system of checks and balances that every school child has learned to revere, but not to understand. Of that system Benjamin Franklin long ago observed:

"It appears to me . . . like putting one horse before a cart and the other behind it, and whipping them both. If the horses are of equal strength, the wheels of the cart, like the wheels of government, will stand still; and if the horses are strong enough the cart will be torn to pieces."³

School children notwithstanding, the American people were in fact not long fooled by checks and balances⁴ and soon began sloughing them off. Most important in that process was the organization of popular political parties—in direct defiance of the Fathers' advice.⁵ For the political party is a device to bridge over and neutralize checks and balances. Later we abandoned the complicated, indirect method of electing President, Vice-President and Senators forcing them to face direct, popular approval at the polls.

²Colonel Mason seems to have caught the spirit of his associates and stated best the basic problem of the Constitutional Convention when he observed, "Notwithstanding the oppression and injustice experienced among us from democracy, the genius of the people is in favor of it, and the genius of the people must be consulted."

³Quoted in Vernon Parrington, *Main Currents in American Thought* (1927), Vol. 1, p. 177.

⁴On Chief Justice John Marshall's authority we know that in fact the people were not fooled at all. He tells us apropos ratification "so small in many . . . (states) was the majority in its favor, as to afford strong ground for the opinion that, had the influence of character (ie. "the rich and the well born") been removed, the intrinsic merits of the instrument would not have secured its adoption. Indeed it is scarcely to be doubted that in some of the adopting states a majority of the people were in opposition. In all of them, the numerous amendments which were proposed demonstrate the reluctance with which the new government was accepted . . ." From Marshall's *Life of George Washington* (1804-7).

⁵See, for example, Washington's *Farewell address*. The background of this typical Federalist advice against "factions" was the resignation in disgust of Jefferson and Randolph from Washington's cabinet. Neither could abide the policies of Washington's prime minister, Hamilton. Both found resistance within the administration futile and so devoted their efforts to the formation of a political party which in the "revolution at the polls" in 1800 succeeded in turning out the Hamiltonians. This was the end of the one party system and the beginning of popular government in the United States.

In uncritical times these devices are enough to overcome the worst effects of checks and balances and bring a real measure of effective democracy into American government. But in time of crisis they can not carry the burden of a fundamentally awkward governmental machine. The result is that today (as in 1930 and 1918 to speak only of recent times) checks and balances are working as they were designed to work — and American government is helplessly divided against itself, incapable of effective action.

Fundamentally the fault is not in the voters, their representatives, or in "selfish interest groups." It lies in the paradox of attempting to satisfy democratic aspirations with a machine purposely designed to hamstring democracy.

Experience, not academic theory, teaches the futility of looking for efficiency in a system that parcels out the two great functions of government⁶ among four separate governmental organs⁷ — each chosen in a different manner, for a different term, and each having one or more forms of veto upon action by the others. Such a system puts a premium upon internal dissension and conflict and arms every selfish interest group with an arsenal of devices for frustrating popular government. Without a single inherent coordinating device, it must inevitably bog down in the face of popular demands for affirmative action.⁸ Its only strength is in negation. Clearly the Founding Fathers, like "the rich and the well born" of all ages, wanted no popularly inspired alternations in the status quo. Certainly they expected, as one of their contemporaries (an ancestor of Robert E. Lee) put it, "to get into Congress themselves (and) . . . to be the managers of this Constitution."

We know that it did not work out quite that way (after Jefferson founded the political party system) but paradoxically we continue homage to devices designed for that undemocratic end. We have long since recognized the naiveté of 18th Century Science, Art, Medicine, Religion and Philosophy — only its politics is still accepted as eternal.

⁶The determination of public policy and the administration of that policy.

⁷House, Senate, President and Courts—to say nothing of the bureaucracy.

⁸Note, for example, the fate of veteran's housing and price control.

Today and often Congress is in bad repute; so is the President.⁹ Speaking only of the past six years, more than sixty magazine articles and a dozen books (many by Congressmen themselves) have recognized that all is not well in Congress. Two private professional organizations after diligent study by experts have suggested reforms.¹⁰ A Joint Congressional Committee has recommended changes.¹¹ All of these and many more over the years deal with aspects of the American paradox. For in our politics all roads lead finally to the system of checks and balances. The LaFollette-Monroney suggestions, like the development of the party system and direct election, can only be palliatives. American government will falter along more or less ineptly; democracy will continue to be blamed for the faults of a clumsy governmental machine, until the diffused parceling of power and responsibility, called checks and balances, is corrected.

We must allocate power and commensurate responsibility in sharp, direct lines which the average voter can see and understand. If Congress is to be held responsible for defining public policy some internal institutional catalyst must be devised to give its 531 members effective leadership.¹² If the President is to be held responsible for public policy, he must have effective institutional sanctions to implement his leadership in Congress. Today power and responsibility are hopelessly divided between senate, house, and executive. Not even an expert can tell which shell

⁹A recent Elmo Roper public opinion poll asked, "On the whole, how would you rate the job Congress has been doing since the war ended?" Forty-five per cent of those polled thought Congress was doing an "only fair" job; two per cent "excellent"; fourteen per cent "good"; twenty-five per cent "poor"; the balance had no opinion.

¹⁰The American Political Science Association and The National Planning Association.

¹¹The LaFollette-Monroney Committee's recommendations were partially adopted in Public Law 601—79th Congress, Legislative Reorganization Act of 1946.

¹²This would involve a rationalization of the relation between House and Senate. Of bicameralism as part of the check and balance system Benjamin Franklin said: "Has not the famous political fable of the snake, with two heads and one body, some useful instruction contained in it? She was going to a brook to drink, and in her way came to pass through a hedge, a twig of which opposed her direct course; one head choose to go on the right side of the twig, the other on the left; so that time was spent in the contest, and before the decision was completed, the poor snake died with thirst." Quoted in Parrington, *op. cit.*, p. 177.

hides the pea. The huge administrative apparatus, "a headless fourth branch," rests uneasily in a vacuum between Congress and the President, attempting gamely to serve two masters.¹³ And it is only a self-denying ordinance, since the chastisement in 1937, that keeps the judiciary from compounding the confusion.

The parliamentary system, unhampered by our straight jacket of eighteenth century political speculation, has cautiously over the years developed highly satisfactory solutions for all these problems. We may well look there for guidance. Years ago it was observed that "at one and the same time, we (in America) expect little from government and progressively rely on it more. We feel that the essential forces of life are no longer in the channels of politics, and yet we constantly turn to those channels for the direction of forces outside them . . . The paradox of both distrusting and burdening government reveals a lack of a conscious philosophy of politics . . . some unresolved inner conflict. I suspect that it implies an uncritical continuance of past assumptions about government and about society."¹⁴

¹³The pathetic effort to shift responsibility for the administrative process to the judiciary in the Administrative Procedure Act of June, 1946, is like sending a child to military school because mother and father can't agree.

¹⁴Felix Frankfurter, *The Public and Its Government* (1930), p. 4.

English Reform Ideas During the French Revolution

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In the early, optimistic days of the French Revolution when in France feudalism was being struck its death blow, when the rights of man and citizen were being proclaimed in word, and, it seemed, in deed, the drooping spirits of the English reformers soared. After the defeat of the bill sponsored by Pitt the Younger in 1785, the reformers had grown discouraged. Now, with the youthful Wordsworth,

"Bliss was it in that dawn to be alive,

But to be young was very Heaven!"¹

The reformers delighted in reflecting "on the tendency of the glorious example given in France to encourage other nations to assert the inalienable rights of mankind, and thereby to introduce a general reformation in the governments of Europe, and to make the world free and happy."²

But as the Revolution moved from moderation into more violent phases a reaction developed against revolutionary principles and French excesses. To advocate political reform, to uphold the right of every man to participate in the political life of his country, was to identify oneself with Jacobins, Atheists, and Regicides. Instead of reform, there came repression, instead of international unity and world peace there came a generation of devastating war. Roused by Burke's sounding of the "Creed of Courts" the opponents of reform closed ranks to defend the constitution as established in King, Lords, Commons, and Church. Using the Terror and the war as justification for harsh legislation the Tory government effectively suppressed the activities of the groups whose members were dissatisfied with the narrow basis of political life in England. By the time Napoleon was master of France, the English reformers had been silenced for almost the duration of the war.

¹*The Prelude*, Book XI, lines 108-109.

²Richard Price, *A Discourse on the Love of Our Country* (London, 1789), App. p. 13.

I

One of the most striking features of the agitation of the 1790's is the absence of unity among the reformers. There were reform organizations and reform programs, but there was no reform movement like that of 1830-1832 when Whigs, Radicals, and the active common people stood solidly aligned for "the bill, the whole bill, and nothing but the bill." The reformers of the 1790's were in general agreement that a larger proportion of the people ought to share in the conduct of political affairs in England. From moderates to radicals, the reformers demanded what they called political liberty, and they talked in vague and various terms about parliamentary reform. But they failed to decide, in a way that could elicit popular approval, upon a program for extending the suffrage or applying more completely democratic methods to existing political forms. This lack of unity in doctrine and organization was fatal, for in the presence of disagreement it was impossible to create a great weight of public opinion in favor of reform, and government repression was made all the easier.

John Thelwall, the popular lecturer, sadly admitted that there was as great a variety of opinions among reformers as to the extent that political change should go as there was among the allies on the objects of the war against France.³ These opinions ranged widely. William Godwin was a philosophic anarchist who, seated in his study, proclaimed that man's inherent goodness and reason would make possible the golden age when governments need no longer exist to curtail individual freedom. Tom Paine was a Republican who also had visions of sweeping social and economic changes involving a fundamental alteration in the system of land ownership and use, and a broad program of social security.⁴ Godwin and Paine, however, were not considered to be reformers, for their ideas went far beyond the usual scope of political reform. Nevertheless their views cannot be neglected in any consideration of the political thought of the 1790's. There was a large middle group whose members agreed upon the idea that "a reform" was needed, but who disagreed upon what constituted reform. On the right wing of the reformers were a few,

³*The Rights of Nature* (London, 1796), p. 40.

⁴See Paine's *Agrarian Justice*, written in 1795-1796.

like the author of *Temperate Comments upon Intemperate Reflections* (1791) who would run with the hare and hunt with the hounds. This anonymous writer said, with Burke, that the English constitution "leaves not room for improvement," yet he believed in the validity of the principle that the people were sovereign—a principle implicit in the thinking of all reformers from moderates to radicals.

Although he admired the spirit of liberty that motivated the French, Godwin disapproved of French methods, desiring "such political changes only as should flow purely from the clear light of understanding, and the erect and generous feelings of the heart."⁵ Eschewing violence, his *Political Justice* nevertheless propounded the most revolutionary design of the era. From the primary tenets that man was a rational being, that he possessed no innate ideas and hence all his actions were the result of opinions inculcated from environment, it followed that man was perfectible. All that had to be done was to remove the barriers that prevented the inexorable pressure of reason and truth from acting freely upon every individual. From this premise Godwin envisaged an anarchistic society in which there was complete happiness, with individual rights subordinated to concepts of duty and to considerations of how best to promote the general welfare.

Godwin was patient because force could not accomplish what persuasion would, and therefore freedom of discussion was essential to the recognition of political truth: "Let us not precipitately endeavour to accomplish that today, which the dissemination of truth will make inevitable tomorrow. . . . Let us anxiously refrain from violence: force is not conviction, and is extremely unworthy of the cause of Justice."⁶ A coterie of optimists, especially literary men like Holcroft, Shelley, and for a time Wordsworth, Coleridge, and Southey, accepted Godwin's postulates. They understood his anarchy as meaning not chaos, but a condition of society in which individuals are guided by reason and utility, and restraint is absent because superfluous.

(London, 1876), I, 61.

⁵Charles Kegan Paul, *William Godwin: His Friends and Contemporaries* (London 1876), I, 61.

⁶*Enquiry concerning Political Justice and its Influence on Morals and Happiness* (Philadelphia, 1796), II, 395.

Godwin was as scornful of the dogma of natural rights as were Burke and Bentham. He made a complete break with the old social contract philosophy. He was the first to study the whole of government, and not just the legal system, as Bentham was still doing, in the light of utilitarianism. He was the first to divorce democracy from natural rights and wed her to the principle of the greatest happiness of the greatest number. His contemporaries held democracy in a confused state of bigamy, with warmer affections for natural rights because of earlier association, but with an increasing ardor for the younger rival. Godwin was not a reformer in the sense that he wished to renovate a defective government, even if that might enhance the general welfare. He returned to first principles and showed how there could develop a society in which there would be no restrictions upon the individual, who would have no choice but to do good within a social order where justice and morality were synonymous with utility.

In reality, Godwin was only carrying Paine's doctrine to its logical conclusion, and thereby showed the greater courage. Paine acknowledged that society was anterior to government, and more fundamental in its relationship to individuals. Society could exist without government, and it would continue after government disappeared. Society was inevitable because it fulfilled those wants which men, naturally gregarious, could not supply individually, and government was an added device for carrying out functions that society alone could not conveniently perform. Society, without government, operated according to natural laws, and followed the precepts of mutual and reciprocal interest with which government often interfered. Government was sometimes an evil, but in the then condition of mankind it was still essential. As man and society became more perfect, government would become less necessary.⁷

Paine affirmed that men were rational; he admitted that a republican government rested on reason; he could not be a republican without faith in the inherent ability of men to recognize their interests and their wants, and establish institutions to pro-

⁷*Rights of Man*, Part II, *Writings*, M. D. Conway, ed. (New York, 1894-96), II, 408.

mote the one and provide for the other. Government could further the identity of individual interests in the community by artificial means; Godwin said the identity was naturally so complete, given unlimited freedom of opinion, that its promotion by artificial means was unnecessary. Paine's faith did not extend so far as Godwin's for he was closer to realities. He had confidence in the ability of men to frame a government, but not enough to concede that men could live harmoniously without any external restraint except the force of truth. What he accepted as an ideal or a possibility, Godwin affirmed without hesitation to be a probability, more, an inevitability. Godwin, further, renounced the doctrine of rights in favor of utility, but Paine adhered to the old school even when making concessions to the new. While government and society maintained the equality of inalienable rights upon which they were based, they also had for their purpose the "conducting of the Res-Republica, or the Public Business," in other words, the general interest of a nation.⁸

Paine's practical proposals can be briefly stated. A republican form of government best served the interests of the people by making possible the career open to all talents through the operation of the representative principle. Since ability to govern did not descend from father to son, monarchy gave a premium to ignorance while tolerating the exercise of power without responsibility. The constitution, the basis of all lawful authority, defined the institutions of government, the extent of their powers, and the fundamental rights of the people. In the early stages, the French Revolution in practice, and the Declaration of the Rights of Man in theory, seemed to confirm what Paine was also demonstrating by an exposition of the social contract and natural rights philosophy. Joel Barlow, the American citizen of the world, in his *Advice to the Privileged Orders* (1791), attested that events in France showed the superior merits of the republican form. Thomas Thomas was overjoyed that the "age of reason" in which he was living was "the millenium . . . that returns to the reviled and persecuted, to the swinish herd (as they are badly called) a share of the common things in life; and their place as creatures, and children of a bountiful and a merciful Creator."⁹

⁹*Virtues of Haze; or Blessings of Government* (London, 1794), 26.

Few of the reformers subscribed literally to Paine's doctrines. Charles James Fox doubted if there were many people who, after reading the *Rights of Man*, "agreed with the general tendency of that book," for it "was a performance totally different from all ideas of reform."¹⁰ Although republicanism was frowned upon by most reformers, the republicans were only carrying the principle of the sovereignty of the people to its logical conclusion, and sooner or later they believed the reformers must recognize their own inconsistency. "Reason and Truth have got abroad. It is the order of the day—the common sentiment—the universal voice of mankind—that all things are tending to the scale of Republicanism."¹¹

Readers of Paine, whether they believed his doctrine or not, were often called enemies of monarchy. The first thing Jack Anvil could think of when Tom Hod confessed he had been reading the *Rights of Man* was, "What! thou art a leveller and a republican, I warrant?"¹² The loyal association of John Reeves was called an "Association for Preserving Liberty and Property against Republicans and Levellers." Like those of the merchants of London and others throughout the kingdom, this society was opposed to reform of any description, being organized "for the support of the constitution."¹³ There can be little doubt that many who read Paine did not understand his philosophy. Tom Hod discovered that he did not enjoy liberty and equality and happiness, crying, "I'm for a constitution—and organization—and equalization—and fraternization."¹⁴ Just so did the Russians in 1825 call for "Constantine and Constitution," thinking the latter must be his wife.

The moderate reformers actually repudiated Paine. The almost aristocratic "Friends of the People," while advocating parliamentary reform, opposed republicanism, and even universal suffrage. Christopher Wyvill, the Yorkshire leader of the reform movement in the 1780's, wrote a pamphlet in 1792 entitled *A Defense of Dr.*

¹⁰*Parliamentary History*, XXIX, 1315.

¹¹Anonymous, *A Letter to the Right Honorable Charles James Fox from A Westminster Elector* (London, 1794), 12, 14.

¹²Hannah More, "Village Politics," 1793, *Works* (London, 1836), II, 222.

¹³*The Annual Register*, 1793, p. 3.

¹⁴More, II, 224.

Price, and the Reformers of England. In the preface Wyvill stated that the pamphlet did not seek to vindicate Paine because he would overthrow the English constitution while the reformers would only amend it. Paine's enthusiasm, however, was an inspiration to moderates who deplored extremes while believing that men were to a certain extent rational beings, that they were possessed of inalienable rights, that the people were sovereign, and that government ought to reflect their will. But the majority of reformers believed their aims could be achieved within the framework of King, Lords, and Commons, although their principles would consistently support a much more radical reform. Paine's spirit was the spirit of change, and it served to invigorate reformers of every description, even the majority who would enact reforms more temperately and thus avoid extreme remedies.

The working class groups asked mainly for universal suffrage and annually elected parliaments, with occasional requests for a vote by ballot and payment to legislators. The Edinburgh convention of 1793 styled itself "The British Convention of the delegates of the people, associated to obtain universal suffrage and annual parliaments."¹⁵ It reaffirmed the resolutions of the previous year's meeting, asking only for freedom of elections, equal representation, and frequent parliaments, all to be obtained by legislative enactment.¹⁶ These demands were echoed in newspapers, pamphlets, addresses, meetings, and conventions. This program was not incompatible with the monarchical form of government. We know that today, but the conservatives of the revolutionary period, and for long afterwards, did not. Their panic was usually sincere. They honestly believed that if such a change came about the inevitable result would be the destruction of the constitution. Some of the reformers' actions were disquieting. On December 13, 1792, in another reform meeting, "the whole Convention as one man rose, and, holding up their right hands, took the oath." This was the French oath "to live free or die."¹⁷ The Anti-Jacobins remembered Paine's teaching that a determined people could attain their own freedom, and there was

¹⁵*Parliamentary History*, XXXI, 848.

¹⁶*Ibid.*, XXXI, 873-74.

¹⁷H. W. Meikle, *Scotland and the French Revolution* (Glasgow, 1912), Appendix A, 272.

Burke to remind them that the will of the majority often differed from its interest. But freedom, to the reformers, did not mean anarchy or chaos. Jack Anvil misunderstood their views when he mocked the French—"They are all so free, that there's nobody safe."¹⁸ The reformer, no matter how far he would go, desired only to make men free. The moderates were just as sure that freedom would reign under their reformed system as Godwin was that the ultimate of freedom lay in his Utopia of rationalism. The Manchester Constitutional Society in October, 1790, stated the general principles upon which government rested, and their logical implications, as follows:¹⁹ (1) Political authority originated in the consent of the governed, and its purpose was to enlarge their happiness. (2) No law was fairly made without the consent of the majority of the people, expressed directly, or through full and fair representation. (3) Freedom of opinion was necessary. (4) The system of representation was inadequate, and "requires a speedy and effectual reform."

Thus the argument continued on the public platform and in periodical and pamphlet literature. Every one of the two score replies to Burke's *Reflections on the Revolution in France* declared the necessity for an immediate reform of the government. Every reply, in its attitude toward the French Revolution and the reform question, began with the fundamental thesis that the people were sovereign. The interesting thing is that sentiment was in so many cases a century ahead of its time, and that the pleas of great numbers for universal suffrage were only to be granted in our own day. Annually elected parliaments have not yet become a reality. The fears of Christopher Wyvill that if a moderate reform was not speedily granted the tide of opinion would sweep so far ahead that nothing less than a radical reform would suffice, were, however, a little premature.²⁰ These fears were to be shared by the men of 1832.

It was left to the "Friends of the People" to champion the cause of reform within parliament, where Charles (the future Lord) Grey, Richard Brinsley Sheridan, Samuel Whitbread, and Philip

¹⁸More, II, 222.

¹⁹Capel Lofft, *Remarks on the Letter of the R't. Hon. Edmund Burke concerning the Revolution in France* (Dublin, 1791), Appendix, 65.

²⁰A *Letter to the Right Hon. William Pitt* (York, 1793), 7-8.

Francis were active. In 1793 Grey introduced an unsuccessful motion for reform, accompanied by a petition in which the following general complaints were illustrated by concrete examples:²¹

(1) Counties were over-represented in proportion to their size, population, and trade. (2) The franchise was so unequal that 15,000 electors returned a majority of the House of Commons. (3) The franchise was irregular, and elections were too few and far between. Grey frankly admitted that a reform along the lines suggested involved a "fundamental change of government." On May 26, 1797, Grey advanced a specific plan which sought "nothing more than a full, free, and fair representation of the people."²² The reformers had the better of the argument, but Pitt had the votes, and the motion was defeated, 256 against 91.

II

Of importance in explaining the confusion and failure of the agitation from 1790 to 1797 was the absence of any unified, coherent reform movement. Success required at least a semblance of unanimity as to the extent of reform desired, the means of achieving it, and the use to be made of political power when the common people had won it. Unfortunately for their cause, the reformers did not develop an efficient, coordinated organization or a doctrine that enjoyed general approval among the forces seeking change. They lacked skill in conducting public agitation, and no intellectual leadership appeared to provide mental discipline. The movement dominated by the parliamentary Whigs confined it self to moderate requests and enlisted support from the middle and upper classes. The urban working classes, who, during the French Revolution, established themselves as a permanent and growing factor in political affairs, also sought reform through legislative enactment. Excluded from parliament, they could only gain their end by bringing pressure from the outside. They worked through the popular societies, especially the "London Corresponding Society" and its affiliates throughout the country. Their methods were essentially peaceful, and were not destructive of existing institutions. Yet they labored in vain.

²¹*Parliamentary History*, XXX, 788-89. See also *The Annual Register*, 1793, Chronicle, pp. 82-97.

²²*Parliamentary History*, XXXIII, 648.

They accepted Paine as the embodiment of the spirit of progress while most of them repudiated his ultimate desires. Such contradictory actions alienated the middle class liberals and made effective cooperation impossible.

All the reformers, however, were democrats of varying degree. Some of the strongest intellects were not only the most radical, but emotionally and philosophically were poles apart from the working classes who could have given them material support in return for moral and intellectual leadership. One need only recall the anarchism of Godwin, who bore a definite relationship to the Utilitarians, or Philosophic Radicals, as they were later called. Bentham was not prominent in public affairs at this time, yet his writings cut through to the heart of democratic practice in asserting that the harmony of interests was enhanced when governors and governed were identical. That meant universal suffrage, with a legislature truly representative of the will of the majority. With this achieved, there was no need to limit the powers of the legislature, which, if it did not reflect the public mind, could be brought to conform by new elections. Whether such a government was monarchical or republican was apparently irrelevant to Bentham. He refused to found a government upon general principles, preferring to judge the effectiveness of government by the practical consequences of its activity. The antithesis between Bentham and the natural rights theorists serves to indicate the extent of disagreement over methods, aims, and basic postulates, excepting the one grand precept—the sovereignty of the people. But that was hardly a philosophic principle by this time; it was a truism.

Even with a general acceptance of this principle, no outstanding thinker emerged to formulate democratic ideas into a coherent system universally acceptable to political liberalism, as Adam Smith had done for economic liberalism. The democrats were not agreed as to whether their program was based on equality of rights or what the Utilitarians called an identity of interests among all the people. If the latter, there was confusion whether that identity was spontaneous and natural, or artificial. If artificial, then Bentham's formula for achieving identity by means of a universal participation in public affairs applied. If natural,

then Godwin's anarchism was the best means of eliminating social conflicts. From the writings of Joseph Priestley and Richard Price, the idea of artificial identification of interests through wider suffrage can logically be inferred, and consequently they can be included among the forerunners of the Philosophic Radicals. Paine was more closely identified with natural rights thinking. Nevertheless, the latter part of the *Rights of Man* was utilitarian, for it recognized the influence of self-interest in motivating human actions, and it emphasized the role of government in protecting individual interests in a society which had not yet reached the stage of civilization where interests do not require artificial aids to remain in mutual harmony.

Because they had no common theoretical foundation of political action beyond the truism already mentioned; because the reformers were not clear as to how completely to actualize the sovereignty of the nation; and because they were not agreed on what alterations in the governmental structure would follow their attainment of political control, they continually worked at cross purposes, with the middle class and lower class reformers remaining alienated from one another, and both groups repudiating radicals who envisaged changes more fundamental than mere amendment of election laws. Some flaming declarations of the radicals grated on the jangled nerves of worried Anti-Jacobins, discredited the entire reform agitation in the eyes of moderate men, and aroused suspicion and alarm among the conservatives. The suppression of the agitation, therefore, was made easier because of its internal disunity. The "Friends of the People" could continue to bring forward motions within parliament, but the working classes were left without leadership by those who possessed political influence or intellectual superiority, for there was no effective bond of understanding or sympathy to hold the reformers together. The later Philosophic Radicals never won a large popular following, and like their predecessors of the 1790's, they remained widely separated from the lower classes. Had a union between the two forces been consummated, reform might have come sooner, despite the smothering effect of the French Revolution and the reaction developing out of it.

The protestant dissenters, a large percentage of whom were reformers, did not take independent action. They were to be found in every branch of the reform movement. Reform to them could not be an end in itself, for it was by this time the prerequisite for abolishing the Test and Corporation Acts, motions for their repeal having failed in 1787 and 1789, and standing less chance of passage than ever, due to the reaction aroused by the Revolution. That the question of religious freedom loomed large for the dissenters, whose position was legally, and in case of extreme public agitation, actually dangerous, can be seen from a reading of Priestley's replies to Burke. In his *Letters to the Right Honourable Edmund Burke* (1791) and his *An Appeal to the Public on the subject of the Riots in Birmingham* (1791) he spoke of the uselessness of established churches and the need for complete religious freedom. The dissenters had a more intense personal interest than the reformers who remained loyal to the idea of an established church. The latter, however, were usually as sincerely convinced of the need for religious toleration as of the need for civil liberty. Both groups understood the close relationship between the two principles.

Dissenters supplied some of the best talent to be found in the reform group, Price and Priestley being two outstanding members. But many persons, in their belief that religious freedom would result in the destruction of the British constitution, lumped dissenters and republicans indiscriminately together. "And the dissenters, even Dr. Price and Dr. Priestley, whom it has been the fashion of late, to stigmatize as republicans" indicates the depth to which Burke's teachings about the interdependence of Church and State had sunk into the popular mind.²³ The real ability and the aggressiveness of the dissenters compensated for their lack of numbers, and "alarmists" of the period were probably frightened into exaggerating the danger to the Established Church. The fact remains, however, that anti-reformers could become tremendously agitated. The Birmingham rioters of 1791 rallied to the cry of "Church and King." The agitation against dissenters was carried on in *The Anti-Jacobin Review and Magazine*, which always emphasized the identity of reform, radicalism, and

²³ Anonymous, *Considerations on the French War by a British Merchant* (London, 1794), p. 6.

dissent. Yet it is probably an understatement to say that the active dissenters assumed a stature out of all proportion either to their numbers or to the dept of their thought.

III

If to some persons, parliamentary reform seemed so important as to be an end in itself, to others it was but "the groundwork of every necessary reform."²⁴ What these other reforms were to be, however, is by no means clear.

In an era when the natural-rights doctrine was commonly expounded, participation in political life was logically an inherent right possessed by all men, and to deny men the exercise of that right also hurt their pride. The Sheffield petition of May 2, 1793, expressed this sentiment.²⁵

Such ideas probably appealed less strongly to the upper classes. When introducing his motion in 1793, Grey insisted he was interested not in restoring rights to the people, but only in improving the operation of government. That men should have a part in framing the laws by which they were to be governed were fundamental principles of the British constitution.²⁶ If these principles were being ignored, then the system of government required amendment. But the implication was that if men could promote their common interests through political actions, there were specific abuses crying out to be remedied. All reformers agreed upon this. To the Foxites, the war itself was unnecessary, and if parliament was made truly representative, the peace-loving

²⁴Thomas B. Howell, *A Complete Collection of State Trials* (London, 1818), XXIV, 394.

²⁵*Parliamentary History*, XXX, 776. Italics mine.

Your petitioners are lovers of peace, of liberty, and justice. They are in general tradesmen and artificers, unpossessed of freehold land, and consequently have no voice in choosing members to sit in parliament; — but though they may not be freeholders, they *are men*, and do not think themselves fairly used in being excluded the rights of citizens. Their all is at stake equally with the freeholders; and whether much, or little, whilst they pay their full share of taxes, and are peaceable and loyal members of society, they see no reason why they should not be consulted with respect to the common interests of their common country. They think men are objects of representation, and not the land of a freeholder, or the houses of a borough-monger.

²⁶*Ibid.*, RJD.

people would have enough authority to make the voice of the brotherhood of man effective in directing the policies of the government.

Reform was also a panacea for domestic troubles. The "London Corresponding Society" framed an address to the people on August 6, 1792, in which they pictured the happy state of England under a reformed government:²⁷

Soon then should be see our liberties restored, the press free, the laws simplified, judges unbiased, juries independent, needless places and pensions retrenched, immoderate salaries reduced, the public better served, taxes diminished, and the necessities of life more within the reach of the poor, youth better educated, prisons less crowded, old age better provided for, and sumptuous feasts at the expense of the starving poor, less frequent.

Such faith in the efficacy of reform seems a little sanguine now.

The dissenters, of course, hoped that abolition of the Test and Corporation Acts would follow upon the heels of parliamentary reform. A country was not free when many citizens were denied full civil rights because they were not members of the national church. But numerous reformers, forgetting consistency, disagreed with Priestley, who would use a reformed parliament to disestablish the Anglican Church. Christopher Wyvill, although an Anglican clergyman, took a truly liberal position when he said that religion required no other force but reason, that it was a valid object of discussion, and that every man was entitled to his own belief.²⁸

A moderate reform was often justified as the only means of preserving the constitution. To advocate reform, therefore, evidenced abiding love for the English system. More than any other was this plea urged by the Whigs in parliament, and it was strengthened, they insisted, by the outbreak of the French Revolution. The obstinate resistance of the old regime to every plan for the removal of abuses was the final and efficient cause of its downfall. England could learn from France that "the real danger to every free government is less from its enemies than from itself," even if the former government of France was not free.²⁹

²⁷*State Trials*, XXIV, 385.

²⁸*A Defence of Dr. Price, and the Reformers of England* (York, 1792), 30-37.

²⁹Robert Hall, *An Apology for the Freedom of the Press* (London, 1793), 14.

Francis Burdett asserted during the debates in 1797 that the constitution had been in the process of destruction since 1760, and that a full and free representation of the people was urgently needed in order to halt this disintegration. Answering ministers' pleas that circumstances were unfavorable, Philip Francis, in a stinging rebuke, reminded them that "to him who dislikes the voyage, all the winds of Heaven are equally unpropitious."³⁰ Ministers seemed to "have clothes for all seasons." In 1785 the opponents of reform had refused to disturb the prevailing prosperity; in 1795 they feared to stir up agitation in troublous times. They could not repair their house in the hurricane season, as Windham explained, but neither were they inclined to do it when the weather was clear, replied the reformers.

There was also an argument carrying a strong emotional appeal. Wyvill believed ancient liberties would be confirmed if the constitution was restored as of 1689.³¹ David Williams insisted that only before the Norman Conquest had Englishment been free.³² In Anglo-Saxon days, government had rested upon a general consent ascertained through wide participation in public affairs. From 1066 to 1688 the Crown curtailed the liberties of the people; subsequent encroachments were made by parliament. The triennial and septennial acts removed representatives from effective popular control, while the act of Queen Anne's reign imposing a land-owning qualification for membership excluded the common man from the legislature. Aristocracy and plutocracy thus came into power, and with them the laws favoring their class. Based on this interpretation of English history, reform became not a fleeting squabble but a crucial action in the fight for English liberties, on whose successful outcome depended the future welfare of the nation.

Obviously the reformers were not clear about their purposes after achieving parliamentary reform. A legislature purged of corruption and more responsive to the demands of the people might be expected to pass laws designed to enhance the general welfare, yet the reformers, if they assumed all this, did not labor

³⁰*Parliamentary History*, XXX, 841.

³¹*Defense of Dr. Price*, 13-14.

³²*Lessons to a Young Prince, by an Old Statesman on the present disposition in Europe to a General Revolution* (New York, 1791), 26-27.

the point. It is doubtful if many of the reformers thought that far ahead; there is seldom to be found in the reform literature of the period any clear cut program for economic reforms and social legislation for which the reformers intended to work once they won control of parliament. The writings of Paine, Thomas Spence, and a Catherine Phillips are exceptional in that they do contain plans of economic reform. After 1793 bad harvests and high prices certainly stimulated discontent, but this discontent brought forth few demands for a concerted attack upon the problems of poverty and human misery. The reform agitation had begun in 1789 when times were not hard; when scarcity came the reformers were declining in numbers and influence, and the common people did not take up the cause of parliamentary reform as a prerequisite for economic betterment. The profound social and economic problems bequeathed by the industrialization and urbanization of England were scarcely recognized in the 1790's as subjects for parliamentary action, and the nineteenth century was far along before a clear realization of the relationship between political power and economic reform had been attained. Beyond vague protests against monopolies, high taxes, extravagance, the scarcity of meat, and the like, the reformers seldom ventured beyond the immediate demands for reform of parliament. Although economic distress accentuated the political discontent, "‘ballot-box influenza’ had become an obsession, annual Parliaments and universal suffrage ultimate and final goals, rather than milestones on the dusty road to progress."³³

IV

Whatever the ends they sought, the reformers presented arguments to justify their demands for reform. Yet so long as the majority of parliament remained unconvinced of the desirability or necessity of reform, the reform agitation would be fruitless. More than mere persuasion and logic would have to be employed; the interests and prejudices as well as the intellects of their opponents would have to be overcome. This does not imply that the enemies of reform were such stubborn obstructionists as to develop

³³Walter Phelps Hall, *British Radicalism*, Columbia University Studies in History, Economics and Public Law, Volume XLIX, Number 1 (New York, 1912), 139 and Chapter VI.

no arguments of their own. They did appeal to the fallacies of authority, danger, and delay, to use Bentham's classification, but they also discussed reform on its merits. Burke's exposition of the conservative philosophy deserved respect, and it received attention from the reformers. John Thelwall called him the foremost apologist of abuses, and the only one who "in any literary point of view, can be regarded as formidable at all."³⁴ Nevertheless Burke often departed from lofty principle to indulge in opprobrium, to play on emotions, and to exploit the popular fears of French invasion, Jacobinism, atheism, and attacks on property. These subterfuges were the stock-in-trade of the opponents of reform, from members of parliament and editors of periodicals to pamphleteers and frightened property owners. The ease with which reason could flee even educated minds is attested by the readiness of ministers and judges to find sedition or treason in what in normal times would have been considered innocuous words or deeds. When frank denial of the need for reform, reasoning, ridicule, or temporizing by pleading the unfavorable times, were ineffective, and the exhortations of the religious were unavailing, legal interdicts, sanctioned by force, were employed. These quieted reform activity temporarily, but the idea could never be destroyed, and only awaited an opportunity to reappear. Dissatisfaction continued, and even the good digestion which Bishop Paley envied among the lower classes could not allay discontent. Paley had no effective remedy. If the rules of property "sometimes throw an excessive or disproportionate share to one man's lot, who can help it?"³⁵

Such an answer as Paley's took for granted a fatalism that the English common people, long-suffering as they were, did not possess. The question "who can help it?" is still being answered at the ballot-boxes.

³⁴*The Rights of Nature*, 92.

³⁵William Paley, *Reasons for Contentment; addressed to the Labouring Part of the British Public* (London, 1793), 5-6.

Application of Land Use Capability Data by a Soil Conservation District on Two New Mexico Farms

DAVID C. WINSLOW

OKLAHOMA A. & M.

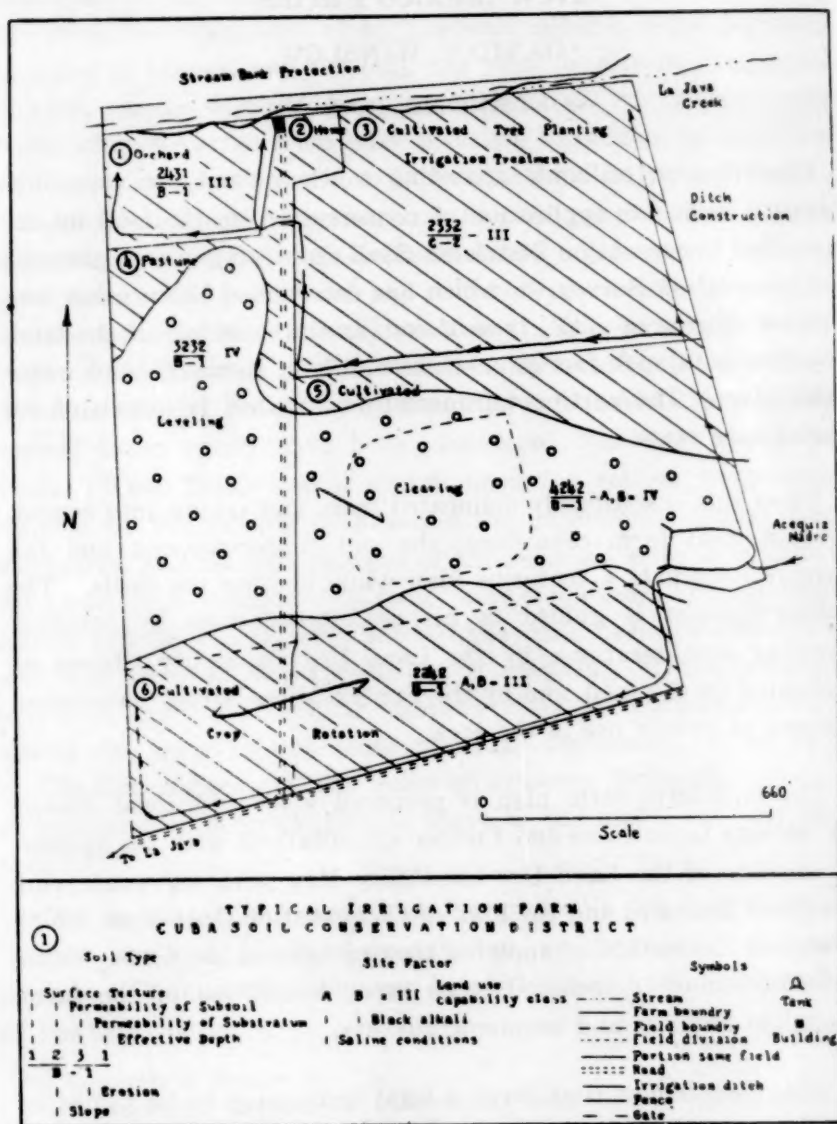
Classification of lands according to their land use capability forms a basis for application of conservation on the land by the state Soil Conservation Districts. Such classifying is done through a Conservation Survey, in which are determined the erosion conditions: degree of slope, type of soil, and present use of the land, together with such factors as climate, alkali, stoniness, and water table level. The pertinent information obtained is drawn on an aerial base map.

Upon this scientifically delineated map, and taking into consideration local farm conditions, the soil conservationist and the farmer formulate a tentative plan while visiting the fields. The conservationist is guided in his recommendations by practical farming considerations, by the Land Use Capability Classes as indicated on the map, and by the Conservation Survey recommendations of proper use in the area.

The long-term farm plan is prepared after additional studies by various technicians and further consultations with the farmer. It consists of the Land Use Capability Map with soil conserving practices indicated and the Plan of Conservation Operations which describes the method of applying the practices on the fields. Other information often included is an areal description of the farm, technical findings and economic surveys.

This plan is now considered a legal instrument to be signed by the farmer and the local Soil Conservation District, for cooperative action in accomplishing sound conservation on the land. Generally, its practices prove satisfactory and the land operator and the Soil Conservation District board both sign it. However, if a disagreement arises as to its content, a discussion ensues. The

two cases which follow point out such discussions and the results as arrived at in a Cuba Soil Conservation District meeting, Cuba, New Mexico.



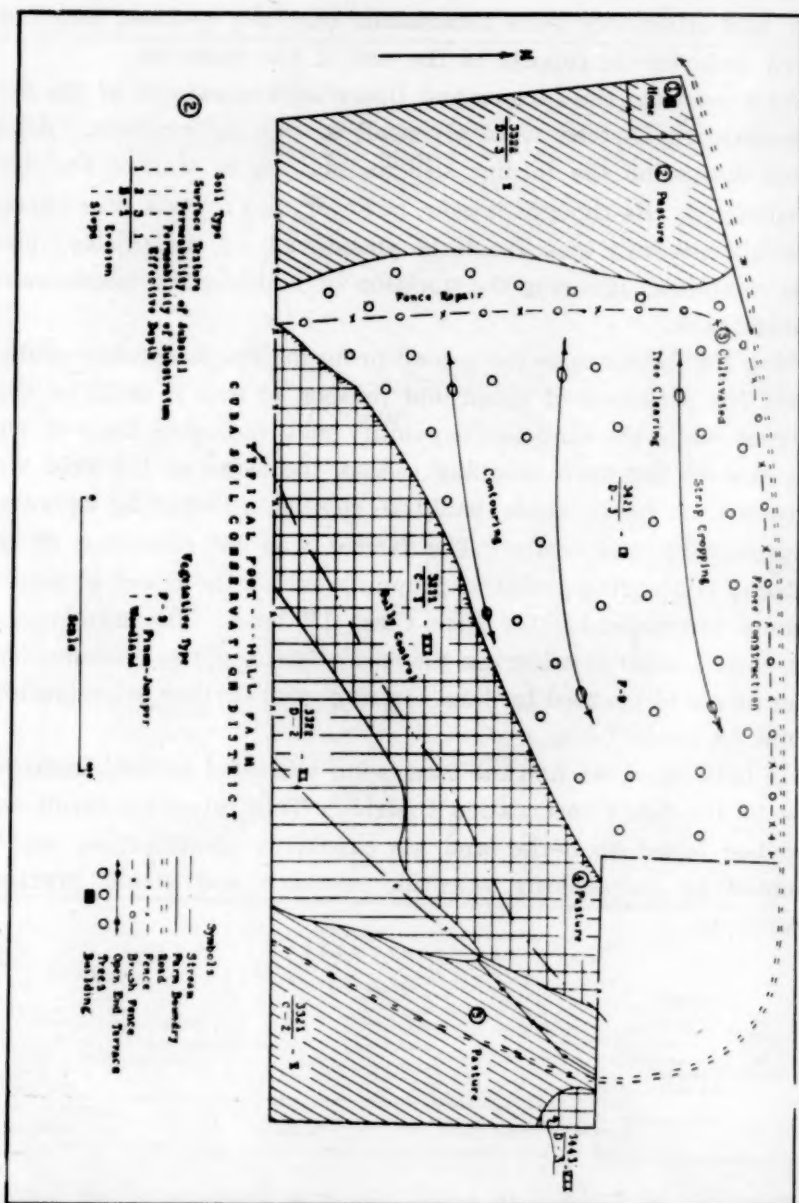
Map No. 1 portrays a farm where the would-be cooperator desired an overnight storage reservoir for irrigation in Field No. 4 despite adverse scientific findings. Alkali conditions were indicated by the "A" in the field on the land use capability map which

might mean the earth would be unsuitable for constructing the walls of the dam. Plant indicators and preliminary soil tests both substantiated the map's indications of black alkali. After field and laboratory tests technicians carefully checked and rendered unfavorable reports in the use of the material.

At a meeting, the farmer and Board of Supervisors of the Soil Conservation District were given all of this information. After much discussion the farmer still maintained he wanted the dam constructed. He thought it over, however, and a week later agreed that his reservoir idea should be abandoned. A satisfactory plan was completed, ignoring the question of building the questionable storage tank.

Map No. 2 illustrates the second problem. The landowner wished Field No. 3 cleared of pinon and juniper so that it could be dry-farmed while the land use capability map indicated the soil was too shallow for such cropping. Also, the slope of the field was excessive so as to erode badly if cleared. Terracing appeared impracticable and costly. The farmer was not convinced of the value of contouring and strip cropping, which the Board of Supervisors recommended for such Class IV land. The members of the Board, after considering the specialists' reports, recommended that no aid be granted for land clearing until further investigations could be made.

In both cases, we find the land being protected against improper use by the Soil Conservation District. This favorable result was reached based upon the land use capability classification supplemented by painstaking scientific research and sound practical reasoning.



(2)

- Soil Type**
- Surface Texture
 - Permeability of Subsoil
 - Permeability of Substratum
 - Effective Depth
 - Erosion
 - Slope

Scale 0 100 feet

- Vegetation Type**
- P - 8
 - Pine-Juniper
 - Woodland

- Symbols**
- Stream
 - Farm Boundary
 - Fence
 - Brush Fence
 - Open End Terrace
 - Trees
 - Building

BOOK REVIEWS

EDITED BY H. MALCOLM MACDONALD

Toward Peace and Equity (The American Jewish Committee, February, 1946, New York City).

Robert R. Nathan, Oscar Gass, & Daniel Creamer., *Palestine: Problem and Promise* (Public Affairs Press, Washington, D. C., 1946, \$5.00).

If total peace is to follow war, then the needs of the world's small peoples must have as close attention as those of the large. And if the status of the Jewish people is a barometer of the world's moral climate (in our own time, the persecution of the Jew in Germany was a storm-warning of World War II) then rectification of those wrongs can be at least a partial prognosis of fair weather ahead.

Two recently published books deal with the problem of justice to the Jew. One of them, *Toward Peace and Equity* (published by the American Jewish Committee), deals with it within the framework of the larger problem of human rights in general. The other, *Palestine: Problem and Promise*, by Robert Nathan and two associates, deals with one specific answer to European Jewry's need for a haven of refuge.

The American Jewish Committee prepared, for submission to the United Nations Conference on International Organization meeting in San Francisco in 1945, a series of recommendations under the title *To the Counsellors of Peace: Toward Peace and Equity* reviews the recommendations in the light of subsequent agreements, laws and treaties, both in the UN and in the nations of Europe. The recommendations were prepared under the sub-chairmanship of such outstanding personalities as Professor Hans Kohn (Protection of Human Rights), The Hon. Jacob J. Kaplan (Restoration of Rights), Professor Louis Wirth (Repatriation and Migration), Judge Horace Stern (Palestine).

Briefly, the Committee's recommendations include:

1. An International Bill of Rights based largely upon America's own Constitutional Amendments with the additions of the right of cultural, linguistic or religious minorities to maintain their own language and institutions. *They call also for machinery by which individuals and groups who feel themselves aggrieved may appeal over the laws of their own nation to an international tribunal.*

2. The restoration of rights, and the restitution of property to individuals deprived thereof in enemy or occupied nations, with the addition that when the former owners of such property have left no heirs, restitution be made to the Jewish community.

3. The repatriation of all displaced persons who request it but no compulsory repatriation. For the second category of displaced persons, nations are urged to follow the rules of humanity and asylum without discrimination as to race or creed.

4. The principles of the Balfour Declaration and the Palestine Mandate to be carried out by a United Nations trusteeship whose purpose shall be: the safeguarding of Jewish settlement and Jewish immigration into Palestine and the preparation of the people of Palestine for a self-governing, independent and democratic commonwealth in which both Arab and Jewish communities shall have cultural and religious autonomy.

The Committee's survey of the extent to which these recommendations have been carried out by the UNO and by individual nations makes both heartening and disheartening reading. On the one hand, lip service is paid to the principles on all hands and in all documents; on the other hand, failure to implement or deliberate evasion of human rights and restitution is all too common. As yet, the barometer still shows the immoral pressure of prejudice and power-politics.

On the other hand, Robert Nathan's study of Palestine contains almost no explicit recommendations. It simply, scientifically, and almost coldly, assesses the facts, the physical, geographical, economic facts, about Palestine, and hazards only rough estimates as to the future based not only upon the physical but the psychological climate of the next decade. For example, says this book, immigration to Palestine is dependent upon the supply of capital, entrepreneurial ability, skilled labor, Government initiative, free foreign markets, increased collaboration between Arab and Jew, the power of expulsive forces driving Jews out of other countries, and the impulsive forces within the Jewish people to participate in Zionist reconstruction. How many of these are scientifically predictable, and how many are cloaked in the mystery of the future is obvious. All that Mr. Nathan is willing to chance is an estimate that, under discouraging circumstances, 615,000 would be a low figure for the next decade, and one and a quarter million would be possible, even probable, under VERY favorable circumstances.

Can Palestine absorb this many immigrants physically? Yes, says this survey. There is sufficient land if used intensively. There is more than enough exploitable water. The Haifa terminus of the oil-pipeline could, without monopolistic practices, give Palestine a very favorable fuel situation. The regional market will permit specialized manufactures which will overcome the absence of metal and minerals, *if* access to imports is maintained. And, concludes the survey, "No natural barrier sets a tight limit to further advances" even after the first postwar decade.

And what of the Arab? Let me quote the study: "Zionist reconstruction has brought Arabs of Palestine a higher standard of living than is found elsewhere in the Arab Middle East. Jewish demand has provided an important market for Arab agriculture and Jewish enterprises have provided some employment for Arab labor. Jewish tax payments have been the principal support of the services in health, education, agriculture and roads . . . the Arabs are healthier and longer-lived."

"It may be that the Arabs ought to be grateful for the benefits brought them by Jewish immigration. In fact they are not grateful"

"Collaboration of Jews and Arabs in the development of Palestine can be conceived only within the framework of a basic political program backed by all the moral and material authority of the UN. That basic program needs to be enunciated and maintained firmly."

This last paragraph is almost the only political (as opposed to factual) statement in this book which is a splendid scholarly presentation of Palestine's past and future. Most men, though with varying emphasis and points of view, will echo the hope that justice to one of the world's smallest peoples may lead to justice and peace for all.

Tempel Emanul, Houston

ROBERT I. KAHN

J. W. Martin, *Kentuck City Finances*. (Lexington, Kentucky: Bureau of Business Research, College of Commerce, University of Kentucky, Bulletin No. 2, 1946, 275 pp.)

This work by Mr. James W. Martin and members of his staff at the University of Kentucky represents another epochal study among those being published currently in the field of public finance. The investigation underlying this publication was conducted at the request of the Kentucky Municipal League in order to discover and analyze the practical possibility of greater fiscal freedom for Kentuck cities of all classes. Its most obvious attribute is its

thoroughness, for it covers most adequately every phase of fiscal management pertaining to municipalities in that state. Although it is primarily analytical in approach, considerable emphasis is placed on comparative data relating to revenues, expenditures, and debts.

Following an introductory chapter which is devoted to a statement of the problem and an analysis of objectives based on the comments of city officials generally, the study traces financial developments in Kentucky cities for the ten year period between 1932 and 1942. The trends in revenues, expenditures, and debts are drawn from statistical data which allows comparison between cities of different classes in Kentucky, cities in other specified states, and the country as a whole. A summary of wartime developments during 1943 and 1944 completes the brief historical treatment which serves as a background of subsequent discussion.

A major portion of the study is consumed with a detailed examination of specific problems involved in municipal fiscal management. The authors in each instance discuss the meaning of and principles involved in various methods and procedures pertinent to the management of municipal financial affairs. In each case, these are correlated with concise statements of related practices in Kentucky municipalities, thus furnishing the reader a rather complete picture of public finance theory and actuality within a specific environment—that of the Kentucky cities.

In order to secure greater freedom of action in local financial affairs, the study observes that there are two broad programs available to cities in that state. In the first place, cities may adopt practices which will cause the available money to provide more goods and services than it now does. Secondly, cities may seek new and additional sources of revenue.

With regard to the first of these broad recommendations, the authors stress sound management as the only method of stretching every city dollar to its utmost capabilities. Three steps are necessary in the ultimate achievement of this particular goal. They are:

- (a) Elimination of confusion in many cities between legislative and executive functions.
- (b) The accumulation of all activities which concern the people of the city under the chief executive.
- (c) Reduction and elimination of abuses practiced in some cities with respect to personnel and favoritism of other sorts.

Despite the "dollar stretching" that some cities would achieve through the adoption and maintenance of sound management practices, this study makes the observation that some municipalities will, nevertheless, require additional revenue if they are to perform services demanded by their citizens. Although sources other than the general property tax are mentioned (amusement, occupational, gross receipts taxes, fines, and utility income), the greatest possibility of increased revenue flexibility appears to lie in the administration of property taxes, particularly the tax on real estate. The authors believe that the state should provide leadership and various technical services to municipalities in the assessment of property such as comprehensive tax maps and records of all property. Assessments should be raised to full value, and improvement effected in assessment and collection procedures.

Although not an uncommon occurrence in many states, the study shows that present-day statutes in Kentucky are a definite impediment to the establishment of economical government by cities in that state. They specify in too much detail the actual methods and procedures of management, and fail to provide a sound general framework within which cities can operate efficiently. To cope with such a situation, the authors ask that legislation be revised particularly in regard to the following matters:

- (a) Form of city charters.
- (b) Definition of state policy to provide for differences between classes of cities only if there is some logical basis for variation.
- (c) A state policy governing local performance of finance activities.
- (d) Establishment of administrative responsibility.

To the Kentucky city official who must ever grapple with the many and intricate problems of municipal finance, this study will prove its greatest value. At the same time, its worth generally cannot be denied. *Kentucky City Finances*, inasmuch as it represents an orderly application of principles and theory to a specific situation of timely interest and importance, should merit the close attention of public administrators, students of public finance, and all persons however casually interested in the achievement of economical local government.

The University of Texas

LYNN F. ANDERSON

Nelms Black, *How to Organize and Manage a Small Business*. (Norman: University of Oklahoma Press, 1946, pp. xiv, 377, \$3.00)

Mr. Black's book is a timely contribution to the literature on small business. The author is concerned mainly with outlining a program for business success, but goes beyond mere commercial formula to tie the problem of small business into the broad economic issues of purchasing power and full employment.

Small business is first argued to be of significance to full employment in view of the fact that its job-creating potentiality is more than twice that of large business per dollar of invested capital. It is then linked to the problem of purchasing power through a novel twist of the underconsumption thesis which the author calls "the operating principle of the law of equity in distribution."

The American economy, he explains, once a sellers' market, is now a buyers' market; and the problem of production of goods has become a problem of producing customers. Taking a leaf from the pre-war French economy, Mr. Black would generate the additional purchasing power needed to finance consumption by shifting more people to distribution and service, and thus balance the economy by "attaining equity in distribution." Which means that America needs more small businesses, and that more Americans should become shop-keepers.

Some will sense technological regression and economic peasantry in such an economic thesis, but few would deny the author's main contention, that business success rests squarely on capable management. We are told that an average of 400,000 new small businesses are started annually in the United States, 70% of which fail within two years due to inadequate "headwork and paperwork." To succeed against such odds, it is proposed that the expectant entrepreneur undergo a six months to one year period of "boot training" prior to opening for business.

The present book is, of course, intended as the basic text for such training, and would serve well. The choice of a business, and the problems of financing and organizing the new venture are carefully discussed in the first five chapters. The problems of operational management are then taken up chapter by chapter, and given thorough treatment. Specific topics covered include advertising, sales management, competitive tactics, bookkeeping and budgeting, financial ratio analysis, personnel management, public relations, government regulation and taxes, and research and expansion.

Mr. Black's material combines principle with case in an effective manner. The book is replete with pertinent references, the bibliography is good, and the appendices contain suggested forms for market surveys, retail planning, and simplified bookkeeping systems which should prove helpful. The limited possibilities of sound financing under the G.I. Bill of Rights are discussed, and are worth noting. Other useful features of the book include a fifteen page breakdown of types of small businesses (taken from the U. S. Census of Business), and a complete table of standard operating ratios for fifty lines of retail trade.

In a closing chapter, a second economic thesis, also relating to purchasing power, is advanced. Competitive price dogma is severely attacked, and it is proposed that the "principles of price engineering" be applied to the problem of purchasing power. Products should be sold at "economically correct prices." Instead, the buy-it-wholesale psychology and kamikaze cut-price competition (among small businesses) cause 40% of American business to be done at a loss, with consequent destruction of purchasing power and job opportunities.

Consumers, then, must be taught the "boomerang effects" of beating retail prices, and small business must cure itself of "volumitis . . . the suicidal obsession . . . that low prices mean the necessary volume of sales." The answer to the latter problem, we are told, is research and price engineering. Small business must "create a difference and charge for it."

One last economic proposal is made, that the government assume a positive role in encouraging and underwriting the new small businesses which the author sees as essential to the preservation of private enterprise. Our annual technological growth rate of 2% requires a continuing stream of new businesses, and a plan is advanced whereby the same could be established on a paying basis, and at a fraction of the cost of the unemployment otherwise forthcoming.

Mr. Black nowhere draws the line between what is small business and what is large business. Moreover, the general economic significance of small business is probably overstated. Be this as it may, small business is important to full employment, and it is of particular significance to the spirit of "free private enterprise." And those who are proponents of a workable business system will mark it to Mr. Black's credit for emphasizing these points.

The University of Texas

MARTIN D. PALM

J. L. Gillin, *Social Pathology*, (3rd Ed., D. Appleton-Century Co., Inc., N. Y., 1946, 645 pp., \$4.50.)

Revisions of classic books are not always genuine revisions; often they are merely new printings. Professor Gillin's new text is in most respects a genuine revision. The preliminary discussion in the first chapter of theoretic synthesis in the sociology of social problems takes account not only of the older contributions of Ogburn, Queen and Gruener, Fuller, Myers, and Linton, but also of the newer contributions of L. G. Brown, H. E. Barnes, and of Linton's recent, *The Cultural Background of Personality*. Other parts of the book are newly organized, and in some places thoroughly rewritten.

The text is broken down into two Books: "The Pathology of Personality," and "The Pathology of Social Organization." The former Book contains such topics as "Sickness, Drug-Addiction, Personality Disorganization"; the latter, "The Pathology of Domestic Relationships, The Pathology of Social Classes and Groups, The Pathology of Economic Relationships," and "The Pathology of Cultural Relationships." In this last heading is included a valuable chapter on civil liberties.

Chapters 9 and 10, "Suicide," and "Personality Disorganization," do not take sufficient account of the "sociological" Freudians, such as H. S. Sullivan, Karen Horney, and Abram Kardiner. The material on race relations, which was too brief in previous editions, is still too brief, and contains no reference to Myrdal's *An American Dilemma*. A further defect, which this text shares with many others, is a very poor index, apparently inherited without change from the previous editions. The extensive revision of the author deserves better. None of the new material in every chapter, including that written by H. E. Barnes, Kingsley Davis, Carey Williams, and Abram Kardiner, is cited in the index.

The general approach of Gillin is balanced theoretically. The text continues to steer a middle course between the disorganization and lag theories on the one hand, and the static "conflict" theories of Waller and Fuller on the other. The tendency toward functionalism, which characterized the previous edition, has become more explicit, and much use is made of Ralph Linton's culture-personality typology ("Universals, Specialities, Alternatives, Individual Peculiarities, and associated personality traits") — a typology which offers the level of abstraction demanded at present for an omnibus treatment of social problems. Quantitative ma-

terial is copious, and new enough to use in survey courses without extensive collateral lists. The new edition of *Social Pathology* is among the best of the current social problems texts.

The University of Texas

IVAN BELKNAP

David Bryn-Jones, *Toward a Democratic New Order*. (Minneapolis: University of Minnesota Press, 1945, pp. vii, 288.)

Despite the optimistic influence of the title, this work is little more than a re-hashing of the literature of democracy, and more especially of the British classics of democratic theory. The works of John Stuart Mill and A. D. Lindsay form the core of that reference. Of course, there is no attempt to infer that these scholars were not important in the denouement of the democratic doctrine. The former was tremendous in his influence, an influence that is certainly, in our times, an impediment in the further development of the doctrine. One of the most unfortunate modern handicaps to the revision of nineteenth century democratic theory was the growth of a Mill scholasticism. If anyone wished to define democracy, he quoted directly from John Stuart Mill. The great rationalist is not to be blamed for this reliance by later scholars upon the product of his scholarship. Rather, it reveals a distinct weakness in modern philosophic scholarship.

When the facts of the modern economic and social milieu were so different from those which obtained at the middle of last century, political theorists should have revised the Mill theories to fit the existing situation. Prof. L. T. Hobhouse was eminently successful in his attempts to modernize Mill. There is entirely too little attention given to Hobhouse in this study. On the other hand, many lesser figures, like Lord Bryce and Delisle Burns, are given a great deal of attention.

Finally, the whole book has entirely too little real meat in it. It deals with thoughts, where more effective ammunition could be utilized. The conception is distinctly puny. Especially is this shown where the main principles of his system are applied to the world at large. In fact, one easily gets the impression that the author is writing for the future democracy only in the United States, Great Britain, and the British dominions.

The University of Oklahoma

CORTEZ A. M. EWING

John L. McCarty, *Maverick Town: The Story of Old Tascosa*. (Norman: University of Oklahoma Press, 1946, pp. xiii, 277, \$3.00.)

North and west of Amarillo, Texas, on the north bank of the Canadian River, is a spot seldom marked on the highway maps of our day. Yet, there in 1878 the town of Tascosa was officially recognized with the establishment of a post office by the Federal Government. At that time the open range for cattlemen was opening in the Panhandle of Texas. Tascosa in the Canadian River Valley was to become the commercial center of this new cattle world.

Early in 1891, *The Tascosa Pioneer* ceased publication, and in his last editorial the editor of this frontier newspaper wrote: "Had Tascosa fared well as fortune's hands, that would have meant permanency for the paper . . . But business has gone to where profit is an unknown and undiscoverable quantity, and the near future holds no promise . . ." Thereafter, the population of Tascosa gradually dwindled, and the adobe buildings collapsed and crumbled. At last, "the Queen City of the Panhandle" passed out of existence.

The story of Tascosa, Texas—its antecedents, its rise, and its fall—has been preserved for the future by Mr. John L. McCarty, a newspaperman of Amarillo. It is clear that Mr. McCarty has been an enthusiastic and careful researcher, and his book is an important addition to the Southwestern Bookshelf. The major fault with the work is that names and events are flashed before the reader's eyes with a speed and precision calculated to get "everything" within the confines of a 275-page book. As a result, it often seems that a name is a name and little more—there are some notable exceptions, such as the development of the character and personality of Mr. C. F. Rudolph, editor of *The Tascosa Pioneer*.

It is to be noted, however, that a great many things happened in and around Tascosa. As the author puts it, ". . . so much of the history of the open range centered there and so many things came first to Tascosa that it telescoped into a few decades the history of a people and the development of an industry." The reader will come across names which occur frequently in the literature and lore of the Southwest: the towns of Dodge City, Mobee-tie, Springer, Las Vegas; the peace officers, Pat Garertt, Jim East, and J. E. McAlister; ranchmen such as Colonel Charles Goodnight and John Chisum; and the ranches themselves, the LX, the LIT,

the XIT, the LS, the Jinglebob, the Frying Pan, and others. Billy the Kid and his associates range through the pages of the book. Old Tascosa is gone, but this, her story, is well worth reading.

The University of Texas

WILFRED D. WEBB

William Ranson Hogan, *The Texas Republic, A Social History*, (University of Oklahoma Press, pp. xiii, 338, bibliography, 1946, \$3.00.)

It might as well be said at the outset that this, the first social history of the Republic of Texas, is an excellent book. In attempting to present a picture of the every day life of a people—the type of houses they lived in, the food they ate, the clothes they wore, the books they read, the amusements they followed—to mention only a few facets of the complex we know as social history, the serious historian is always posing a difficult problem for himself; but Professor Hogan has done a fine job of solving it. In so doing, he has given us a book which should soon become recognized as a classic in its field. Unless entirely new sources of material are discovered, further books on the over-all social history of the Republic of Texas will simply not be needed, for he has obviously not only used and assimilated the commonly known sources, but also some hitherto generally unexplored by historians of the Texas scene, and has presented it all in an interesting, readable, and scholarly manner. What a fine present for Texas' Centennial Year as a State!

The book, however, will not only be of interest to Texans, both native and adopted, but to the general reader everywhere, for it gives us an excellent picture of a typical frontier society. As Professor Hogan says in his preface, "the volume is focused upon the everyday existence of a frontier democracy. Devout circuit riders, pioneer physicians and school teachers, unruly young lawyers, gun-bearing rowdies and duelists, town builders and land pirates, planters and farmers—here is a part of the record they made at work and at play."

On the whole it was a hard life—one beset by pestilence and disease, crude living conditions, bad roads, and economic depression during much of the time. But underneath it all was the frontiersman's hardihood, his genuine democracy, his humor, and above all else, his optimism. In refusing to be beaten, he laid broad foundations for future development.

To a lesser degree the book should also help explain what people from other states often think of as the peculiar nature of Texans. Since this difference has received so much publicity recently (and certainly not all of it favorable!) the work should be of interest to those who are sometimes attracted, amazed, or appalled at the Texan's brashness and fierce state pride, and help explain "how he got that way."

Mr. Hogan, who did his undergraduate work at Trinity University and received his doctorate from the University of Texas, is an associate professor of history at the University of Oklahoma.

John Tarleton Agricultural College

DICK SMITH

Carl Coke Rister, *Robert E. Lee in Texas*. (Norman: University of Oklahoma Press, 1947, 183 pp., \$2.50.)

Texans are likely to be a braggart lot; surely this observation may be permitted to one who is a native of the state. Thus they take note of historic events of the past and the coming and going of distinguished personages to enhance their opinion of the romance of yesteryears. In the process, history and legend quite frequently get mixed together. As a case in point, there are few places in Texas that do not boast that Robert E. Lee once sojourned there during his tenure as an officer in the Second Cavalry. Before Glen Eden sank beneath the waters of Lake Texhoma, the visitor was shown the room, if indeed not the very bed, in which Lee slept on his journey down to assume command at Camp Cooper on the Brazos. Nor could the claims, general or particular, be gainsaid by the casual passerby.

But now Carl Rister has taken the residence of Lee in Texas out of the realm of conjecture and legend. Step by step he has charted out the roads by which the Virginian travelled; place by place he has fixed the localities in which he resided. By so doing Rister has rendered a disservice to the local enthusiasts but has earned the gratitude of all who ask accuracy and not myths in history. More, however, than just setting local historians right he has contributed a worthwhile study of the forgotten though critical period in Lee's life — "twenty-four months of the four turbulent years just before the Civil War."

Gibbon once remarked that his association with the Hampshire yeomanry fitted him to understand the evolutions of the Roman legion. Lee, it is true, may have learned little of strategy in Texas but he did become acquainted with the mental processes of many

a future opponent or subordinate among the younger officers of the Second Cavalry. Thus the dusty plains and lonely posts of the 1850's afforded Lee a school for his martial exploits of the next recade. Perhaps, too, the smallness of Lee's duties in Texas afforded him ample time for reflection, reflection which gave him the answer as to his course in case of the secession of Virginia. A substantial reward for one whose friends had regarded his frontier assignment as the dead end of a distinguished career.

This is not the place to relate the details that the author has combined into a readable synthesis. It is from the standpoint of style his best achievement but as such sacrifices no jot of authenticity. Foot-notes, too frequently the exposed frame of scholarship, are not used but the reader who wishes to verify any fact will find a comprehensive bibliography. The format and typography are further evidences of the excellent work being done by the University of Oklahoma Press. A commendation which leads to one other reflection: why is it necessary for so many fine books on the Texas scene to be produced on an out-of-state university press?

Texas College of Mines

REX W. STRICKLAND

W. P. Hall, Robert G. Albion and J. B. Pope, *England and the British Empire*, 2nd ed. (Boston: Ginn and Company, 1946, pp. viii-xxviii, 1026, \$4.75.)

No changes have been made in the text of this second edition from the first edition of 1937 until the latter part of Chapter XXX. Some slight changes appear in the last seven pages of that chapter, the most noticeable of which is the omission of Edward VIII's speech on the occasion of his abdication. Chapter XXXI is entirely new and deals with the Second World War. It is entitled *There Will Always Be An England*, and covers sixty pages that include three new maps.

Whatever of praise or criticism was said of the earlier edition of this volume is still valid so far as the first 940 pages are concerned. As in the first edition, the prehistoric period of British history is entirely ignored. Most textbooks tend to be factual, leaving the embellishments to the instructor. This one is more literary than factual. It is a series of very excellent lectures with the facts woven in the best expository style. Many apt quotations are used, the sources of which, however, are not always given. The maps are especially good. On many maps the successive stages of British interest and occupation are brought out most clearly.

This text would interest the layman far more than the average British history written for students.

The sovereigns of England, the Prime Ministers and other prominent Cabinet Members are listed in an appendix. An extensive bibliography, arranged chronologically and topically, and an index complete the volume.

The University of Texas

CORAL H. TULLIS

Harold M. Groves, *Financing Government* (Revised Edition). (New York: Henry Holt and Company, Inc., 1945, pp. xv, 653, \$4.00.)

This revised edition of Professor Groves' *Financing Government* has most of the characteristic features of the original edition which appeared in 1939. In the opinion of the reviewer, the author has strengthened what was already an excellent text by improving its organization and by reducing the amount of material included. He has concisely summarized many discussions and he has deleted much statistical data readily available elsewhere. In the main the author has not changed his basic ideas. However, he has revised certain tentative conclusions on the basis of increased data and added experience. For example, in the first edition he expressed the opinion that perhaps the excess profits tax, despite its intricacies, might be developed into a suitable peacetime revenue. In the revised edition, he has apparently become convinced that this tax has too many complications to be continued as a peacetime source of revenue.

The main divisions of the book are reduced from six in the first edition to four in the revised work. In Part One, which consists of only one chapter, the author traces the history of public finance. This development and interpretation is supplemented by a very informative appendix written by Joseph Rosa. Part Two is devoted to a discussion of public revenues and considers successively taxes upon general property, incomes, estates and gifts, business, consumption, motor vehicles, polls, social security sources, natural resources; and nontax revenues. The respective taxes are compared with the total public revenue of the local, state, and federal governments. Their history, use, shifting and incidence are discussed. In Part Three there is a study of the power to tax, tax exemptions, and inter-governmental fiscal relations. Part Four is an exposition of the problems arising in spending public revenues, such as the financing of the expansion of government as an economic and social investment, and of deciding upon expenditures

for particular functions like education, public works and welfare, public borrowing and credit, fiscal administration and the relations between fiscal policy and prosperity.

Professor Groves believes that we do not know enough "about the postwar era and about science and art of fiscal planning to predict with assurance what future role the latter will play." He thinks that "the conscious manipulation of taxation, debt, and public spending, to maintain prosperity and keep the economy on as even a keel as possible both in peace and war, is no mere passing phase of present and recent periods." He states that "public credit is a necessary and legitimate investment, but the danger of its abuse needs always to be emphasized." Not using public credit wisely has been "the outstanding scandal in the field of public finance."

This revised edition is a well written, objective text conveniently arranged for use in college classes. Furthermore, since it contains adequate discussions of fundamental principles and, since the up-to-date material reflects the recent thought and development of public finance, this book is a very valuable reference for the general reader.

The University of Oklahoma

CLAUDE A. CAMPBELL

United States Civilian Production Administration, Historic Reports on War Administration, War Production Board. 1946.

"War is mere continuation of policy by other means." If these words of Clausewitz be true so far as nations be concerned in their external relations with each other, they would not seem to be true for a nation internally. At least not in a democracy. For if there is one thing to be learned from a reading of the Historical Reports on War Administration, it is that the peace economy of the United States was turned topsy-turvy beginning in 1940 by an abrupt change-over to a war economy.

Several factors which continually crop up in these various minutes manifest clearly the lack of appreciation by Americans generally that when war began in Europe in 1938, we were in fact "in" and that is was just a matter of time until we should, in legal jargon, "be at war." For example, the Anti-Trust Division of the Justice Department, under the aegis and leadership of Thurman Arnold, continuously pressed suits or threats of suits under the anti-trust acts against many industrial concerns which were practically forced to undertake certain integration or combinations in order to be able to produce vital war materiel. This continuation

of peace-time policy by this agency definitely impeded the mobilization, later war production, program until, finally in 1944, the President had to state flatly that such activities were to be called off for the duration of the emergency. Another example of lack of awareness of the seriousness of the crisis is shown continually throughout these pages. It is strikes or threats of strikes . . . to mention but two, the Allis-Chalmers strike on 1940-41 which tied up production on naval turbines urgently needed to expedite the ship building program, the North American Aviation Co. strike which tied up production of vitally needed tactical aircraft. In the latter instance the Army had to seize the strike-bound plant and put it back into operation in order to remove this bottleneck. Even Sidney Hillman, member of the Advisory Commission to the Council of National Defense, later member of OPM, finally member of WPB, worried steadily because workers didn't seem to "show the proper kind of morale." The seven day work week was not instituted until Dec. 15, 1941 . . . and then only to high priority war construction.

It is the opinion of the reviewer, based upon this material, that most of these situations could have been alleviated had the government taken a frank and open stand about the inevitability of American participation in the war. Had it done so, and had it made the kind of administration reorganization at the outset which ultimately evolved, there is little doubt that much friction resultant from lack of clear direction and objectives would not have occurred.

Another point, which parallels the history of World War I, is that the lack of coordination of purchases and standards by the Army and Navy consistently impeded the war effort. In several instances it went so far as to result in competitive buying. But this lack of coordination was not only manifest in the case of the Army and Navy, it also occurred between emergency agencies themselves. For example, the bitter dispute between OPA and OPM (*Henderson v Knudsen*) as to which was to have control of priorities for civilian industries not of a purely military nature. This dispute first came into the open in June, 1941. It was finally "settled" in September, 1941, by a memorandum written for the President by Judge Samuel Rosenman.

Lastly, it is of interest to see the reaction of the "military mind" as evidenced by General Brehon Somervell when confronted by economic statistics showing the actual inability of the industrial machine of the nation to complete the military production programs . . . which were being revised upwards continually throughout the period, 1940-45. (Vol. 4, Minutes of WPB, pp. 140-1.)

It is not too much to suggest that the executive secretary revised some of the language of the "criticism" which the General scathingly made of the progress report and suggestions of the Planning Board of WPB as delivered by its chairman, Robert Nathan, latterly of fame for his Report for CIO urging a general 25% wage increase without any corresponding price increase.

One last thing remains to be mentioned. That is the chronological reports made on various special problems. These number twenty three volumes and deal with everything from the light metals program to "the resumption of production of domestic electric flat irons." They are loaded with statistics and are one of the reasons for the shortage of good paper today.

The University of Texas

FRED A. OSSANNA, JR.

The Editor regrets that two book reviews on *Jehovah Witnesses* (June issue) and *Costa Rican Life* (September issue) were erroneously attributed to Professor Rex D. Hopper. These reviews were actually written by Miss Dorian Apple.

BOOKS RECEIVED

Additional Books Received

- Corwin, E. S., *Total War and the Constituion*. (New York, Alfred A. Knopf, 1947, \$2.50.)
- Dyer, Brainerd, *Zachary Taylor*. (Baton Rouge, La., State University Press, 1946, \$4.00.)
- Everett, J. R., *Religion in Economics*. (New York, Kings Crown Press, 1946, \$2.50.)
- Farmer, H., *Legislative Process in Alabama*. (Bureau of Public Administration, University of Alabama, 1947.)
- Calloway, Geo. B., *Congress At The Crossroads*. (New York, Thomas Crowell, 1946, \$3.50.)
- Henderson, A. J., *London and The National Government 1721-1742*. (Durham, Duke University Press, 1946, \$3.00.)
- Hoslett, S. D., *Human Factors in Management*. (Parkville, Missouri, Park College Press, 2nd Printing, 1946.)
- Kibbe, P. B., *Latin Americans in Texas*. (University of New Mexico Press, 1946, \$3.50.)
- Konvitz, M. R., *The Alien And The Asiatic In American Law*. (Ithaca, Cornell University Press, 1946, \$3.00.)
- Lundberg, G. A., *Can Science Save Us?* (New York, Longmans, 1947, \$1.75.)
- MacIver, R. M., *The Web of Government*. (New York, Macmillan Co., 1947, \$4.50.)
- Martin, A. E., *History of United States since 1865*. New York, Ginn and Co. Vol. II, Enlarged Edition, 1946, \$4.50.)
- Oklahoma Planning and Resources Board: *A Social and Economic Survey of Six Counties in S. E. Oklahoma*. (Norman, University of Oklahoma Press, 1946.)
- Pray, J. C., *Post-Appropriation Budget Control in Oklahoma*. (Norman, Published by the author, 1946.)
- Salter, J. T., *Public Men, In and Out of Office*. (Chapel Hill, University of North Carolina Press, 1946, \$4.00.)
- Social Science Research Council, *Theory and Practice in Historical Study*. (New York, 1946, \$1.75.)
- Smith, T. L., *Sociology of Rural Life*. (New York, Harper Bros., Revised Edition, 1947.)
- Tappan, P. W., *Delinquent Girls in Court*. (New York, Columbia University Press, 1947, \$3.00.)
- University of Texas, Bureau of Municipal Research, *A Quarter Century of Municipal Research*. (Austin, Municipal Studies No. 29, 1947.)

NEWS NOTES

Spencer D. Albright is now Associate Professor of Political Science at the University of Richmond.

Joe E. Brown is at the College of Arts and Industries at Kingsville for the fall term, 1946-47.

Keith Davis, Assistant Professor of Management at the University of Texas will teach on the faculty of Ohio State University during the summer quarter.

Walter Krause has returned to the Department of Economics at the University of Texas. During the summer and the fall semester he was advisor to the Bank of Santa Domingo.

Norton E. Long is visiting professor in the Department of Government at the University of Texas for the spring term of 1947. Mr. Long has formerly been on the faculties of Harvard, Queen's College, and Mt. Holyoke. More recently he has served as Director of the Program Division of rent control, as Assistant to the Administrator of OPA, and as Assistant Administrator of the National Housing Agency.

Dr. W. A. Nielander, has been promoted to the rank of Professor of Marketing at the University of Texas. Dr. Nielander has been on leave serving as Director of Education for the American Institute of Cooperation.

Miss Leone Orner, formerly at Northwestern Louisiana Institute is now Assistant Professor of Economics and Business at Texas State College for Women.

Dr. Charles L. Prather, formerly of Syracuse University has been appointed Professor of Banking and Finance at the University of Texas.

Jim Reese has gone to the University of Oklahoma at Norman.

Jack A. Rhodes, formerly an instructor in the Department of Government at Oklahoma University is now a teaching fellow and tutor in the Department of Government at Harvard University.

Miss Lucile Robinson, formerly at Texas Technological College, is now Assistant Professor of Economics and Business at Texas State College for Women.

Everett Schadt is on leave of absence from Southern Methodist University to work at the American University at Washington, D. C. for the spring term of 1946-47.

J. G. Taylor, in addition to his duties as University Investment Officer is teaching Investments at the University of Texas. He has recently returned from duty with the Armed Forces.

Mr. R. E. Westmeyer, formerly of Rice Institute has accepted a position as Professor of Economics at the University of Arkansas, beginning in the fall of 1946.

Miss B. Eureath White, formerly Chairman of the Department of Sociology and Social Work at the National College for Christian Workers in Kansas City, Missouri, is now teaching in the Department of Sociology at Texas State College for Women.

Mr. Theodore L. Whitesel has been appointed Assistant Professor of Economics in the University of Arkansas.

Since the publication of the December *Quarterly* the Association has lost one of its active members. Mr. John Gragg, who recently went to North Texas State Teachers' College, died in a Dallas hospital. Mr. Gragg was a graduate of the University of Texas and had taken a doctor's degree in economics at that institution. He had taught at the University of Louisville and State Teachers' College at San Marcos. He had also held a position in government service in a Dallas office.

New Members Added to Association

Russell H. Barrett
University of Kansas
Lawrence, Kansas

H. A. Dulan
College of Business Administration
University of Arkansas
Fayetteville, Arkansas

W. A. Guinn
College of Business Administration
University of Arkansas
Fayetteville, Arkansas

Robert W. Schmidt
108 Bradley Drive
Montgomery 7, Alabama

Mabel B. Smith
Dept. of Philosophy and Sociology
Texas Tech
Lubbock, Texas

R. E. Westmeyer
College of Business Administration
University of Arkansas
Fayetteville, Arkansas

Theodore L. Whitesel
College of Business Administration
University of Arkansas
Fayetteville, Arkansas

Alfred F. Chalk
Dept. of Economics
A. & M. College
College Station, Texas

William T. Murphy
Dept. of Economics
A. & M. College
College Station, Texas

J. G. Adams
Dept. of Economics
A. & M. College
College Station, Texas

Harold A. Staine
Dept. of Economics
A. & M. College
College Station, Texas

Ray Putnam
Dept. of Economics
A. & M. College
College Station, Texas

P. L. Ferguson
Dept. of Economics
A. & M. College
College Station, Texas

Robert S. Cornish
Chairman, Dept. of Business
Administration
Stephen F. Austin State Teachers'
College
Nacogdoches, Texas

Tom Page
1612 Louisiana Street
Lawrence, Kansas

Josiah Cox Russell
724 Loma Vista
Albuquerque, New Mexico